

# Iraq's enmity for Syria delays hardline tactics against Egypt

Hardline Arab tactics against the peace initiative of President Sadat were being delayed last night by Iraq's intransigence at the Tripoli rejectionist summit. Baghdad's historic enmity for the Syrian regime was thought to be one reason for the failure to agree.

## Economic boycott unlikely

From Damascus, Syria, Dec 4. Intransigence on the part of Iraq was delaying agreement by leaders of the six hard-line states of the Arab world on a programme aimed at undermining President Sadat's peace initiative with Israel.

As the third day of turbulent discussions at the rejectionist summit drew to a close, the leaders of Libya, Syria, Sudan, Yemen, Algeria and the Palestine Liberation Organisation were awaiting the Iraqi delegation's approval of a series of political measures against the Egyptian Government.

It is understood that there is a general agreement between the Arab leaders on an anti-Sadat front that would put pressure on the Egyptian President without harming the Egyptian people. For that reason, an economic boycott is thought unlikely despite Libyan demands for one.

Most of the discussions over the weekend were aimed at putting pressure on the Iraqis to sign the agreement. Talks continued until the early hours of Sunday morning but the Iraqi delegation, led by Mr. Taha Zayid, were apparently insisting on a rejection in the Final Communiqué of Resolution 242 of the United Nations which refers to withdrawal of the Israeli from Arab lands occupied during the 1967 war and provides for all the states in the area to live within secure and recognised borders.

Syria and the other more moderate states would prefer that the communiqué made no reference to United Nations resolutions.

Another, equally cogent, reason for the Iraqi stand was Baghdad's historic hatred for the Damascus regime. Though informed sources had been saying that the two old enemies were gradually moving closer during the conference, which has been meeting in non-stop sessions of up to eight hours, it was apparent that the idea of being seen in close alliance with the Syrians was proving too much.

In a dramatic move, which some interpreted as part of the pressure on Iraq, the Palestine Liberation Organisation called a press conference in mid-afternoon today to announce that all six factions of the PLO had agreed on a six-point programme which they asked the whole conference to accept.

The programme appeared to put the PLO back in the hard-line position which it adopted at Khartoum 10 years ago. At the press conference attended by all the PLO faction leaders except Mr. Yasser Arafat, who was apparently insisting on a rejection in the Final Communiqué of Resolution 242 of the United Nations which refers to withdrawal of the Israeli from Arab lands occupied during the 1967 war and provides for all the states in the area to live within secure and recognised borders.

It also reaffirmed that a Palestinian state would be established without peace agreements and without recognition and demanded a political boycott of the Sadat Government. The PLO then called for the establishment of a "front of confrontation and defence" by all parties attending the summit and gave warning that it would expose any state at the summit which refused to join that front.

Conference sources were tonight expecting that despite the plot and murders that have marked the 17 splits in the Baathist parties of Damascus and Baghdad since 1936, the Iraqis might eventually be persuaded to join the front because of the danger of their being excluded from the rejectionist fold and upstaged by Colonel Gaddafi, the Libyan leader, if they did not fall in line.

Colonel Gaddafi, who has obviously relished his role at the summit, was dressed in blue velvet jacket, green T-shirt and slacks for this afternoon's session. He has stage-managed the demonstration of President Sadat's smoothie despite the obvious lack of enthusiasm by many of the "protesters" who have been brought into Tripoli by bus. If political points are to be won at the conference, the peace-loving Colonel Gaddafi is likely to collect most of them.

Egypt's call to US, page 6  
Photograph, page 6

# 100 feared dead as hijacked jet crashes into swamp

Singapore, Dec 4.—A Malaysian airliner, hijacked by Japanese Red Army terrorists, crashed into a swampy area on the south coast of Malaysia tonight and all 100 people on board were feared killed.

Mr. Y. Manickavasagam, the Malaysian Minister of Communications, said the Malaysian Airlines system (MAS) Boeing 737, carrying 93 passengers and seven crew, touched down briefly at Kuala Lumpur before taking off again for Singapore.

The aircraft disappeared from radar screens at Singapore's Paya Lebar airport at 8.14 pm.

MAS said the hijackers had ordered the pilot to fly to Singapore, but the aircraft crashed on the Malaysian side of the Straits of Johore, which separated the island of Singapore from the Malaysian mainland.

There were eyewitness reports of explosions on board the aircraft before it came down.

Rescue workers at the crash scene, near the village of Tuas, reported no sign of survivors. Bodies, baggage and debris from the aircraft were spread over a wide area.

Two Malaysian Air Force helicopters hovered overhead with their spotlights illuminating the grisly scene below.

A young man who saw the crash said the aircraft "shot upwards" was shaken by a loud explosion, burst into flames and disintegrated.

The airliner was hijacked between the Malaysian island of Penang and the capital, Kuala Lumpur. The pilot radioed the control tower at Kuala Lumpur's Subang airport saying the aircraft had been taken over by Japanese Red Army men who were armed with explosives.

The airliner was on a scheduled flight from Penang to Kuala Lumpur and Singapore. Among the passengers were Daruk Ali Ahmad, the Malaysian Minister of Agriculture, and Mr. Mario Garcia Lancha, the new Cuban Ambassador to Malaysia, who was on a tour of the country after presenting his letters of credence.

An MAS official said the airliner was carrying 50 Malaysian Chinese, 16 Malays, seven Indians and 20 people of other nationalities.

The Japanese Red Army was involved in a spectacular hijacking in September when it seized a Japan Air Lines aircraft over India and forced it to fly to Dacca, Bangladesh.

In exchange for 151 hostages, the Japanese Government handed over \$6m (£3.3m) in ransom together with six prisoners released from Japanese jails.

MAS said an experienced Indian pilot on contract to the airline was flying the Boeing that crashed today. Today's was the airline's first major crash. It began operations four years ago when the Malaysian and Singapore airlines split into two national carriers.—Reuter and Agency France-Press.

Tripoli, Dec 4.—A Bulgarian airliner carrying 165 Muslim pilgrims on a flight from Mecca crashed at the Libyan town of Qarmada, killing 56 people.

The aircraft was a chartered Soviet-made Tupolev with a crew of six. It was making an emergency landing in bad weather when the crash came.—Reuter.

## Government to make selective check on productivity pay deals

By Michael Hatfield  
Political Reporter

Economic ministers have decided that there should be a selective check on productivity deals that have been approved by the Government to make sure that they are self-financing.

The checking will be done by the Department of Employment, which recently increased the size of its staff handling pay agreements. The checks will not begin until the new year because ministers believe that approved deals need to run for at least three months before any inquiry is made.

Selected companies will be asked to return to the department and show that the deals are self-financing and that pay increases have not pushed up unit costs and have not been passed on to the customer by price increases.

The decision is made as ministers come under increasing pressure from their left-wing supporters over the rigidity of the Government's attitude towards the policy of restricting rises in earnings to an average of a tenth.

There was no sign last night, for example, of an end to the firmness of the Government's position. In fact, it was being stated privately that one of the reasons for the Government's determination to stand firm was that any loosening of the tight line on the firmness might involve a suspension of the local authority manual workers wage demand.

Labour left-wingers are expressing concern on the Government tomorrow, when there is to be a special meeting of the Parliamentary Labour Party to discuss pay policy and cuts in public spending. Mr. Healey, the Chancellor, has said he intends to be present.

Mr. Frank Alloush, a member of the Tribune group and vice-chairman of the Labour Party, said in a speech on Saturday that if the Government tried to block the "considerable" wage increases that workers were demanding, the increases would still be won, but at the expense of strikes that could damage Labour's electoral chances.

He told a demonstration of firemen and other trade unionists in Manchester: "The Prime Minister should and his rigid ceiling on pay. It is doing, and will increasingly do, untold damage."

Mr. Barrett, Chief Secretary to the Treasury, said on Saturday, however, that Britain might throw away its chance of winning the economic battle in a "pay bonanza".

He called for "just a little" of the Government's patience so that it could begin to benefit from the hard-won financial stability that we have achieved.

Mr. Peter Walker, the Conservative former Cabinet minister, challenged the Government yesterday to publish the secret list of companies against which sanctions have been imposed for going outside the pay guidelines.

Emperor Bokassa, an admirer of Napoleon, was crowned amid great pomp in the Central



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## NUS may suspend anti-Jewish unions

From Diana Geddes  
Education Correspondent  
Blackpool

Any student union which withdraws the use of its facilities from student Jewish societies will be in danger of being suspended from the National Union of Students after a decision taken last night at the union's national conference in Blackpool.

The union voted overwhelmingly to amend its constitution to enable the conference to deprive a member union of some or all of the rights and privileges of membership of the national union if it discriminates against any of its members on the grounds of race, religion or creed.

The change must be ratified by at least a two-thirds majority at the next national conference in April before it can take effect.

The motion, which was proposed by the union's national executive, was passed only after it had been amended to deprive the executive of the powers it had proposed for itself to take the initial decision on whether a union should be suspended or deprived of some rights. As amended, the motion places that power in the hands of the conference.

It had been feared that giving the power to the executive might threaten the autonomy of the individual student unions.

Only one student union would be affected if the motion had immediate effect: the School of Arts Union at the college of Liverpool.

Miss Susan Shipman, president of the national union, said after the vote: "We are delighted that the democratic framework of the NUS has been defended and strengthened by our conference. We have now won what we wanted to see, which is conference having the ability to suspend student unions denying democratic rights to their members."

Mr. Moshe Foreman, president of the Union of Jewish Students, said, however: "The decision gives only little comfort to Jewish students. No action was taken before the next NUS conference against unions which have curtailed the rights of their members. We obviously cannot wait indefinitely for a solution and will continue our struggle through all political and legal means at our disposal."

Mr. Mohammed Abu-Khosh, president of the General Union

Continued on page 2, col 1

## British troops arrive in riot-torn Bermuda

From Michael Leapman  
Hamilton, Bermuda, Dec 4

It has been a dreadful weekend in Bermuda. While some lucky-timed heavy rain made last night calmer than the unruly nights of Thursday and Friday, the few people optimistic enough to predict a sudden cooling of the bitter outburst of anger among black youths protesting against Friday's hangings. Property worth millions of pounds has already been destroyed by fire.

The arrival of 200 men of the Royal Regiment of Fusiliers—Queen's Division from Britain—will help to relieve the pressure on the hard-pressed security forces. A Cabinet meeting this morning, a minister said that the plan is for the troops to remain unobtrusive and not to patrol the streets in place of the riot police, except in emergencies.

This is presumably because of the Government's apprehension that the visible presence of British soldiers could worsen the temper of the demonstrators, who see them as racial provocateurs.

It is difficult, and might be dangerous, to get from the embittered young men any cogent motive for their three-day orgy of destruction. Reporters who tried to do so during a confrontation between the youths and police yesterday evening were threatened by a man wielding a machete who shouted: "Better get out of here, for your own safety."

One or two others were prepared to articulate their feelings that the two murderers, both black, would not have been hanged but for the fact that their victims were white and that they included a Governor of the island and a commissioner of police.

Moreover, the decision not to reprove the men as taken by the Government, which although it has both white and black members, is regarded as unrepresentative by the protesters.

The same Government has been in power since black people have been slaves "one tenth said. Another explained: "When you have a Government put in power by a foreign vote, this is what you get."

The ruling United Bermuda party has the overwhelming support of white voters, many of whom were born in Britain and elsewhere outside the island.

Yesterday afternoon's incident was the first serious

Continued on page 6, col 4

## Biko family seeks damages from Government

Johannesburg, Dec 4.—The family of Steve Biko is to seek damages from the South African Government for the black leader's death from brain damage in a prison cell, a family lawyer said today.

An inquest verdict on Friday cleared security police of blame for Mr. Biko's death on September 12. Colonel for the family had maintained he received his head injuries when police beat him.

Today one of the family lawyers, Mr. Shun Chetty, said the claim would probably be made against Mr. James Kruger, Minister of Justice, Police and Prisons, and Mr. Schalk van der Merwe, Minister of Health.

A demand for damages would be presented in the next two months, Mr. Chetty said. If that was not successful summonses would be issued.

Mr. Martinus Pries, the presiding magistrate at the inquest, refused to call witnesses requested by the Biko lawyers such as Brigadier C. F. Zietman, chief of the security police and Major-General G. F. Kleinhaus, who investigated the death.

In a civil action however, the family's lawyers would be able to subpoena such witnesses.

Mr. Chetty said most of the 13 people, including relatives and friends of Mr. Biko, arrested in Soweto before Mr. Pries' verdict had now been freed. He believed four were still being held.—Reuter.

## Public inquiry urged over Crown Agents

By Our Political Reporter

The Government will face demands in the Commons today for a public inquiry into the loss by the Crown Agents of more than £200m of taxpayers' money.

An emergency debate has been granted by the Speaker after the statement by Mrs. Hart, Minister for Overseas Development, in the Commons last week.

The demands for a public inquiry will come from Labour backbenchers and Opposition MPs. Mr. John Mendelson, Labour MP for Penknoke, who successfully applied for a three-hour emergency debate, said yesterday: "I will demand that the inquiry should be held in public."

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Letters: On pornography, from Mr. C. J. Anderson, and Mrs. V. F. Ryder; on a resolution for Ulster, from Sir Patrick Macrory

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Arts, page 9  
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Cricket: Centuries for Rose and Boycott in Pakistan; John Woodcock reviews Mr. Packer's first international match; Tennis: Australia wins

Business News, pages 17-22  
Financial Editor: Signs of action on nationalisation; Diesel: Two British component makers

High Stephenson: Imperfections in the investment market  
Business Diary in Europe: A reluctant champion for consumers?

## Visit to Poland to discuss the ships deal

British Shipbuilders is sending a two-man delegation to Poland tomorrow to discuss the £115m Anglo-Polish deal. They will tell the Poles that four of the 24 vessels have still to be assigned to British shipyards. However, the delay caused by a continuing dispute at Swan Hunter on the Tyne does not seem to be worrying British Shipbuilders—the two men are going to Poland only to iron out details.

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## Scotland Bill's air powers attacked

The Association of British Chambers of Commerce wants the Secretary of State for Trade to remove from the Scotland Bill the assembly's proposed powers to license airfields and aircraft, as otherwise civil aviation will be thrown into confusion, it says.

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## Suarez unity move

Senor Suarez, Spain's Prime Minister, has strengthened his position by persuading 11 of the 12 parties in the ruling Democratic Centre Union to dissolve and unite. The move will end strife among coalition members which has damaged the Government.

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## EEC summit faces budget wrangle

A wrangle over contributions to the EEC budget and the size of grants from the Community's regional fund seems likely to dominate the meeting of heads of governments of the Nine opening in Brussels today. A change next year to a new unit of account would almost double Britain's gross contributions to about £1,380m.

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## Indian explosion

After an explosion at a heavy water plant about 200 miles north of Bombay, the plant has been closed down indefinitely. About 20 people received minor burns when a converter, extracting heavy hydrogen from ammonia gas, blew up.

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## Dr Owen meets Mr Sithole

Dr Owen, the Foreign Secretary, had talks in London with the Rev Ndebele Sithole, one of the Rhodesian nationalist leaders engaged in the attempt by Mr Ian Smith to reach an internal settlement. Dr Owen has invited two other nationalist leaders, Mr Joshua Nkomo and Mr Robert Mugabe, to meet him in London.

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## Farmers at ministry: Leaders of Britain's farmers meet officials of the Ministry of Agriculture, Fisheries and Food today to discuss 1978 food prices

Finland: A 12-page Special Report which looks at the political and economic development of the country and its relations with the Soviet Union.

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## Fire strike doubt

The Fire Brigades Union executive is expected to be divided when it meets tomorrow to decide the next step in its strike for a 30 cent pay rise. The TUC refuses to support a campaign against the pay policy.

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## Coffee price cut

Brazil has announced a 33 per cent cut—from \$3.20 to \$2.10 a pound—in the official minimum price for exporters of coffee from today.

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## HOME NEWS

## Firemen's leaders are expected to differ over strike tactics

By Donald Macintyre  
Labour Reporter

Fire Brigades Union leaders are expected to be divided tomorrow over their next step for pursuing the strike, which enters its fourth week today.

The executive meets to consider moves in the light of Friday's decision by senior TUC leaders to reject the union's request for support in an all-out campaign against the 10 per cent limit on earnings in the public sector.

There appears to be no question of tomorrow's meeting even considering the recall of the national delegate conference, which would be needed to call off the strike unless the firemen's 30 per cent claim is met in full.

Executive members reported at the weekend that disappointment and anger at the TUC decision had not weakened the resolve of the 30,000 firemen on strike.

However, there will be differences of view on whether to resume talks on Wednesday with the local authority employers over a future pay formula. The employers' side of the national joint council for the fire service is meeting then and could meet the union afterwards.

Mr Terence Parry, the union's general secretary, is expected to argue that it should continue to explore every opening for talks and that agree-

ment on the formula remains in the firemen's interests.

But some executive members will argue that with firemen committed by the Eastbourne delegate conference to seek an immediate improvement on the 10 per cent offer from November 3 no useful purpose would be served in seeing the employers this week.

Mr Richard Foggie, the union's assistant general secretary, said last night: "If anything, the attitude of the TUC finance and general purposes committee has strengthened our members' determination. It does not alter our request to the affiliated unions for support."

The response since letters were sent last week has been encouraging.

The union made clear last night that as a matter of policy it did not oppose employers, such as the Post Office, maintaining firewatching teams on their premises during the strike.

The Post Office announced on Saturday that it had suspended Mr Brian Murphy, who works at a Post Office supply depot in Birmingham, for three days for breaking his contract by telling the press that he and colleagues were being paid overtime for firewatching at night.

Liberal plea: Mr Steel, the Liberal leader, suggested on Saturday that firemen should return to work and then try to negotiate a new pay agreement.

## Government letter on pay angers councils

By Our Labour Staff

Local authority leaders will complain today to ministers that their independence as employers is being undermined by government insistence that public sector pay settlements must be referred to Whitehall before they are agreed with unions.

The associations of metropolitan authorities, of county councils and of district councils have sought today's meeting with Mr Shore, Secretary of State for the Environment, the senior minister responsible for local government finance.

The associations have responded angrily to a letter disclosed in *The Times* on Friday, which calls on public-sector employers to give 14 days' notice of any new or amended pay offers.

A meeting of the Local Authority Conditions of Service Advisory Board, which has been called for tomorrow, will hear a report back from today's talks, at which officials and ministers from other departments are also expected.

The associations' representatives are expected to say at today's meeting that, since they entirely accept the Government's 10 per cent limit on earnings, they should be trusted to reach their own deals.

One senior local authority representative who will be at today's meeting said last night: "The Government's attitude rankles when we have gone to such lengths to show to our members that we accept the pay policy and when the councils have to meet directly 40 per cent of the costs of settlements."

Mr Peter Butterworth, president of the students' union at the School of African and Oriental Studies, said that he did not believe the measures would apply to his union because it would not come into effect until April and he thought that the situation would have been resolved before then.

Miss Shipman denied that the union was taking a sledgehammer to crack a nut. She said that unions had been changing their policy on Jewish societies at "a rate of knots".

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## Last battle for retiring Whitehall chief

By Peter Hennessy

Sir Douglas Allen is about to fight one last Whitehall battle before retiring as Head of the Home Civil Service at the end of the month. His aim is to save the Civil Service Department from dismemberment or dissolution.

It has been under threat since the Commons Expenditure Committee recommended in September that the core of its work, the control of manpower and responsibility for Civil Service efficiency, be returned to the Treasury, whence it came in 1968 when the department was founded in the wake of the Fulton report.

Sir Douglas won the first round last week with the appointment of Sir Ian Bancroft as Permanent Secretary to the department and Head of the Home Civil Service. The Prime Minister had toyed with the idea of abolishing the post and giving responsibility for senior appointments to the most experienced permanent secretary of the day.

Another possibility considered by Mr Callaghan was leaving Sir John Herbecy, Second Permanent Secretary to the department, in charge temporarily while ministers pondered the ultimate fate of the department. Sir Ian's appointment, therefore, raised its chance of survival significantly.

Mr Callaghan has made clear that the reply to the Expenditure Committee, in the form of a White Paper in January, will be very much his own, although he will seek advice widely. The elevation of Sir Ian should not, therefore, be taken as precluding fundamental change, but anything substantial is thought unlikely until after a general election.

The Prime Minister has yet to appoint a Cabinet committee to consider the Expenditure Committee's recommendations. A group of permanent secretaries chaired by Sir Douglas Allen is almost ready, however, to provide ministers with the first draft of a reply.

In line with Whitehall tradition, they have not tried to preempt the prime ministerial prerogative on changes in the machinery of government. They have offered instead a number of options for the future structure of central government. They include:

1: Maintaining the status quo.  
2: Removing responsibility for manpower and efficiency from the department to the Treasury.

3: Combining the public expenditure divisions of the Treasury with the manpower divisions of the department to form a new department of management and budget.  
4: Improving Treasury-CSD relationships on manpower and money while leaving departmental boundaries intact.

Sir Douglas Allen is understood to have thrown his weight

behind the fourth option. He has devoted much effort this year to tightening up CSD-Treasury cooperation, and that has already led to a monthly meeting at deputy secretary level to ensure that Civil Service staff levels are in line with the Government's general economic objectives. The Treasury is represented by Mr Gordon Downey, the Civil Service Department by Mr Richard Wilding.

Sir Douglas believes the impetus given to career planning by the Fulton report would be undone if the department that enshrined the new emphasis on personnel management was wound up. He will probably emphasize the antagonism such a move would arouse among the staff associations, already inflamed by pay and allied considerations.

He has always argued that the most important function of the Head of the Home Civil Service is to make top appointments in a time-consuming task that many have imagined. For that reason he was very concerned that the headship should remain a separate office.

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Sir Douglas Allen: Fight to save Civil Service Department

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Leading article, page 16

Sir Douglas Allen: Fight to save Civil Service Department

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Leading article, page 16

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## Concern at 'threat' to civil aviation in Scotland Bill

By Our Political Reporter

Civil aviation will be thrown into confusion if the Scotland Bill on devolution passes unaltered through Parliament, Mr Dell, Secretary of State for Trade, is warned today.

The criticism comes from the Association of British Chambers of Commerce, which opposes the Scottish executive's being empowered to license airfields and aircraft. It is asking Mr Dell to remove the Civil Aviation Authority from the Bill or clarify his intentions.

Conservative backbenchers have tabled amendments to meet the association's complaints, but it is doubtful whether they will be called under the guillotine procedure.

A National Opinion Poll survey, published in the *Scottish Sunday Mail* yesterday, showed that 70 per cent of Scots want to stay British and a quarter want complete independence.

Only 57 per cent are committed to the assembly plans, with 28 per cent against. However, the poll indicated that if there is an assembly the Scottish National Party will get the biggest share of the vote.

Tomorrow and Wednesday will be spent on the committee stage of the Bill, resuming on Thursday after transferring the powers on subordinate instruments from Westminster to the Scottish Parliament.

The Conservatives do not expect that there will be time to debate clause 32, on remuneration of assembly members, and the Scottish executive.

boy with Dow's Syndrome, and to make the issue a test case.

Robert Edmunds has a mental age of two. His parents, Mr and Mrs Ernest Edmunds, say that he will walk for only a few yards before refusing to go on. He was awarded the allowance in January after an initial rejection. In May the department was denied leave to appeal but permission was granted in September.

In its appeal the department is submitting that "a person who is physically able to walk but does not make effective use of his walking ability, or uses it in a bizarre or dangerous

manner because of mental limitation or disorder, cannot be said to be unable or virtually unable to walk."

If the department succeeds, Mr Walker wants amending legislation introduced in the Commons so that mentally handicapped people who cannot walk are treated like those with a physical handicap that prevents walking.

A paediatrician at a leading London teaching hospital yesterday supported Mr Walker and criticized the department for attempting to draw the mobility allowance rules too finely.

Irish Sea: Wind SE, strong to gale; sea very rough.

Saturday  
London: Temp: max 6 am to 6 pm, 5°C (41°F); min 6 pm to 6 am, 1°C (34°F). Humidity: 6 pm, 77 per cent. Rain, 24hr to 6 pm, nil. Sun, 24hr to 6 pm, 2-3pm. Bar, mean sea level, 6 pm, 1,000 millibars, rising.

Yesterday  
London: Temp: max 6 am to 6 pm, 5°C (41°F); min 6 pm to 6 am, 1°C (34°F). Humidity: 6 pm, 78 per cent. Rain, 24hr to 6 pm, nil. Sun, 24hr to 6 pm, 2-3pm. Bar, mean sea level, 6 pm, 1,000 millibars, falling.

Overseas selling prices  
Austria, 100 Schilling, 13.50; Belgium, 100 Francs, 13.50; Canada, 100 Dollars, 13.50; France, 100 Francs, 13.50; Germany, 100 Marks, 13.50; Italy, 100 Lira, 13.50; Japan, 100 Yen, 13.50; Netherlands, 100 Guilder, 13.50; Portugal, 100 Escudo, 13.50; Spain, 100 Peseta, 13.50; Sweden, 100 Krona, 13.50; Switzerland, 100 Franc, 13.50; Taiwan, 100 Dollar, 13.50; Thailand, 100 Baht, 13.50; United Kingdom, 100 Pounds, 13.50; United States, 100 Dollars, 13.50; West Germany, 100 Mark, 13.50; Yugoslavia, 100 Dinar, 13.50.

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Weather forecast and recordings

NOON TODAY Pressure is shown in millibars. Fronts shown as solid lines. Symbols are on adjoining pages.

Today  
Sun rises: 7.49 am; Sun sets: 3.53 pm. Moon rises: 1.13 pm. New Moon: December 10.

Lighting up: 4.23 pm to 7.20 am. High water: London Bridge, 7.31 am, 6.0m (19.7ft); 8.26 pm, 6.1m (20.0ft). Lowest, 12.5 am, 10.2m (33.3ft); 1.20 pm, 10.4m (34.1ft). Dover, 5.18 am, 5.6m (18.4ft); 5.4pm, 5.5m (18.1ft). Hull, 12.57 pm, 5.8m (19.2ft). Liverpool, 5.39 am, 7.5m (24.5ft); 6.0 pm, 7.7m (25.4ft).

A SE airstream covers the British Isles, with weak troughs moving across W and central areas.

Forecasts for 6 am to midnight:  
London, SE, E, central N England, East Angles, E Midlands: Dry, bright, or sunny periods; wind SE, moderate or fresh; max temp 5° to 6°C (41° to 43°F).  
Central S, NW England, W Midlands: Mainly dry, rather cloudy; wind SE, moderate or fresh; max temp 5° to 7°C (41° to 45°F).  
SW England, Wales, Channel:

Firth: Mainly dry, bright or sunny intervals; wind SE, fresh; max temp 7°C (45°F).

Outlook for tomorrow and Wednesday: Mostly rather cloudy with some rain, chiefly in S and W; rather cold in E; temp near normal in W.

Sea passages: 5 North Sea, Strait of Dover, English Channel (E): Wind SE, strong to gale; sea very rough.

St George's Channel: Wind SE, strong to gale, veering S, fresh; sea very rough, decreasing to moderate.

WEATHER REPORTS YESTERDAY MONDAY: c, cloud; d, drizzle; f, fair; r, rain; s, sun; m, snow.

Algeria: c, 18; Athens: c, 18; Baghdad: c, 18; Barcelona: c, 18; Beijing: c, 18; Bern: c, 18; Birmingham: c, 18; Bonn: c, 18; Boston: c, 18; Buenos Aires: c, 18; Calcutta: c, 18; Cardiff: c, 18; Cape Town: c, 18; Chicago: c, 18; Cologne: c, 18; Copenhagen: c, 18; Dublin: c, 18; Edinburgh: c, 18; Frankfurt: c, 18; Geneva: c, 18; Gibraltar: c, 18; Graz: c, 18; Hamburg: c, 18; Harbin: c, 18; Helsinki: c, 18; Hong Kong: c, 18; Istanbul: c, 18; Johannesburg: c, 18; Karachi: c, 18; London: c, 18; Lyons: c, 18; Madrid: c, 18; Manchester: c, 18; Milan: c, 18; Moscow: c, 18; Munich: c, 18; Naples: c, 18; New York: c, 18; Oslo: c, 18; Ottawa: c, 18; Paris: c, 18; Rome: c, 18; Seoul: c, 18; Shanghai: c, 18; Singapore: c, 18; Stockholm: c, 18; Taipei: c, 18; Tehran: c, 18; Tokyo: c, 18; Toronto: c, 18; Trieste: c, 18; Warsaw: c, 18; Wellington: c, 18; Zurich: c, 18.

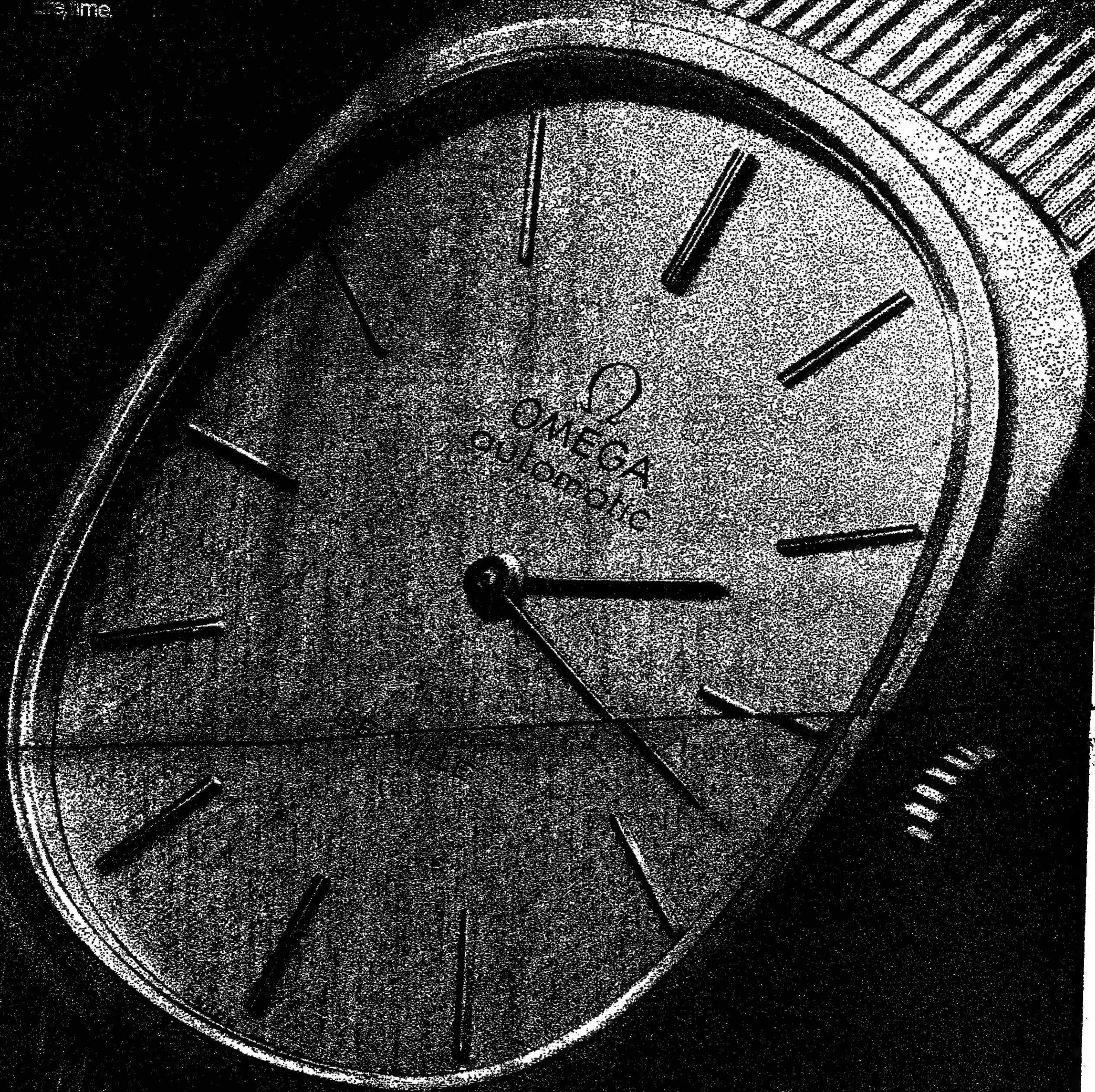
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London: c, 18; Athens: c, 18; Baghdad: c, 18; Barcelona: c, 18; Beijing: c, 18; Bern: c, 18; Birmingham: c, 18; Bonn: c,

Ω  
OMEGA  
Lifetime



I looked across the table at her.

She had turned to say something to the waiter.

A shaft of light from the open doorway momentarily played across her hair.

I consulted my Omega, for I am a precise man.

At two eighteen on a Friday afternoon, I, Edwin Miller, middle-aged bachelor, was falling in love for the very first time.

## HOME NEWS

## Discrimination behind liberal cloak, study of immigrants alleges

From Arthur Osman Birmingham

Discriminatory practices against immigrants are continuing behind a cloak of liberal legislation, according to a report published yesterday by Birmingham Community Development Project at the end of five years' work in the inner-city area of Salford.

The project was set up by the Home Office in conjunction with local authorities to tackle the causes of urban deprivation.

In one of several reports the research team says: "Immigrants are becoming disoriented. The Labour Government is no longer seen to have a commitment to developing immigration and race relations policies which protect the interests of immigrants, and local Labour representatives appear to have no influence."

That disorientation had been reflected in the Salford by-election earlier this year, when extreme left-wing candidates campaigning on a strong anti-racist ticket took a large part of the Asian vote.

"This protest vote can grow only as long as discriminatory practices continue. A cloak of liberal legislation, while assuaging and mistrust are bound to accumulate. This is the price the state is going to have to pay for hanging on to the threadbare notion of the Commonwealth and for courting the interests of industry on exclusively for too long."

Over the past few years administrative devices had begun to restrict the process of settlement for families. Wives and children with a legal right to enter Britain faced endless difficulties in obtaining entry clearance. Men without a job in the United Kingdom, even if they had previous absence abroad, were losing their right. Women were denied citizenship on the ground that their marriages were not genuine.

Those whose families were still abroad often could not get tax relief or child benefit because they could not meet the standard of documentation

required by the Inland Revenue. That in turn affected a family's chances of getting entry clearance, for clearance officers would use evidence of a husband's "single" coding against the claimant.

The report continued: "Legislation which appears to say one thing has been counteracted by such administrative devices. They are invisible and highly responsive to a changing political climate, and when discretionary powers are given to officers to reflect the ideology and prejudices of the institutions in which they work, a discreet anti-immigration policy develops."

"So through a series of shifts in policy, rather than through a dramatic change, the state has abolished the freedom of entry of dependants and reduced the rights of people who were in the process of settling here."

"In this way it has succeeded to some extent in back-pedalling on some of its policies which resulted from the transition from a free labour market to a contract migrant labour system. It has done this without affronting liberal public opinion because it has relied mainly on discreet discretionary practice."

Another report said: "Our understanding of inner-city industrial decline identifies it as an essential part of present economic development, rather than as an aberration. Indeed, it could be argued that if British industry is to rebuild itself on a profitable basis then inner city decline must accelerate."

"Such an approach has at least the advantages of consistency and it does not pretend that significant changes are possible on the basis of random shifts in resources or planning policies. Recently it has become fashionable again to call for these."

One striking fact about inner area difficulties was that one seemed to admit that the proposals put forward for solving them would make very little difference.

## Smithfield euphoria hides farmers' price struggle

Final preparations for the annual Smithfield Show yesterday obscured momentarily the bitter struggle to escape from the constraint of the Government's cheap food policy. While exhibitors groomed their beasts to a perfection never glimpsed outside the show ring, leaders of farming unions prepared for today's meeting at the Ministry of Agriculture, Fisheries and Food about prices for next year.

The Smithfield organisers' announcement that the number of animals exhibited is higher than last year masked the fact that there are fewer beasts in the country now than at the end of last year. Herds have been run down in the countryside. British market sold in more lucrative parts of the EEC.

Farmers are caught between competing pressures from which only ministers, and not market forces, can release them. On one side they want to enjoy the fruits of EEC membership and cover their increased costs by winning higher prices. On the other the Government wants to preserve its wages policy by making sure that farmers do not have to pay higher prices.

The key to the dilemma is the use of the "green pound", the device by which EEC farm prices are expressed in sterling. Its value has been held while that of the pound sterling has fallen. Farmers, therefore, receive much less from EEC price awards than they would otherwise.

The gap between the "green pound" and the exchange rate is now 29 per cent. If it was closed, farm prices would rise by more than 5 per cent.

But the "green pound" is

The effect of EEC farm policy subsidies on imports, 1977 (per lb)

	Price rise 1978 (per lb)
Danish bacon	11p
Danish beef	21p
Irish beef	13p
Butter	6p
Cheese	3p
Bread	3p

\*Approx result of wheat price changes on a large, sliced loaf

only one of three EEC factors that will force British food prices up. Another will be increased farm support prices to be decided in Brussels early next year. And the third, and most immediate, is the end of the transitional period for the free movement of the EEC on New Year's Eve. That will lead next year to the rises shown in the accompanying table.

British use of the "green pound" means farm prices here are lower than in other EEC countries. That in turn means food imports from Community farmers to Britain must be subsidized down to British levels at Community expense. In some cases they are subsidized so much that domestic prices are undercut.

Imports are thus attracted and home production is discouraged. The National Federation of Meat Traders, reported at Smithfield yesterday, said that imports of beef from other EEC countries in the first eight months of this year were half as high again as in the comparable period of last year. The Republic were doubled. The National Farmers' Union described all such imports as "legalized dumping".

## London's commercial art galleries, I: Customers prefer works from the past

## Big money for Old Masters comes mainly from abroad

By Roger Berthoud

It is at first sight puzzling that London, capital of a nation that some people regard as largely indifferent to the fine arts, should boast some 220 commercial art galleries, many of them doing very big business indeed. The answer to the riddle is painfully simple: all the bigger galleries export between 50 and 95 per cent of their sales.

Mr Gilbert Lloyd, managing director of Marlborough Fine Art, said: "The more expensive the stuff is, the less likely it is to be sold in this country."

After talking to some two dozen London dealers, mainly in the West End, one gets the overriding impression that the big money is in Old Masters, a term nearly disliked by several dealers, rather than in contemporary painting, more glamorous though the world of private views and one-man shows may seem. Selling Old Masters involves higher values and lower essential costs, though in fact the most successful galleries tend to be expensively situated, staffed and appointed.

The big three in the Old Master field are Thomas Agnew and Sons, P. & D. Colnaghi, both of Old Bond Street, and a relative newcomer, Richard Green, of Dover Street.

Each has an annual turnover of between £2m and £4m, "turnover" meaning the value of pictures sold from such and such a stock, rather than the overall value of pictures bought or sold on commission, where the picture is not owned by the gallery.

Most well-known of this prosperous trio is Mr Green, who left school at 15 to go into the art business and started on his own at 18. His company has been in existence for about 20 years, but five years ago he sold half of it to Samuel Montagu, the merchant banker.

More precisely, Samuel Montagu, now part of the Midland Bank, shares in Montagu Fine Art, which owns half of Richard Green, who in turn owns a fifth of Montagu Fine Art.

Mr Green said he wanted to realise some capital at the time, and it seemed a good deal. "But we get our finance from the usual place, the joint stock banks. We are not as financed as people think," he told me. The secret of Green's success lies in selling very obviously



Mr Richard Green in his gallery with a still-life by Louise Moillon.

attractive pictures of good quality in German, Dutch, Belgian, American, Japanese and some Britons.

The most appealing works are mainly by seventeenth to nineteenth-century Dutch and Flemish painters, such as flower pieces, still-lives and seascapes by Van Goyen, Storck and Hondeloo, by eighteenth and nineteenth-century English painters, including some fine sporting pictures, and good Victorian work.

"It is quite rare for a lot of money to go with great taste," Mr William Byfield, his partner, said.

Most of the firm's buying is in the range of £20,000 and below, and the capital outlay, "joint account dealing", with other dealers, a common practice not connected with the notorious "rings" of past years.

The proportion of sales to the public is about 60 per cent, having increased with the impoverishment of Britain, Mr

Green said. British clients are a cross-section of landed gentry, industrialists and the man in the street.

Banking is also in evidence at Colnaghi's, which was bought by Mr Joseph Rothchild, son of Lord Rothchild, some six years ago, after being run since the nineteenth century in a rather scholarly fashion by three families, Mayer, Byam Shaw and Baskett.

"Mr Rothchild plays quite an active part," Mr Richard Harcourt, who runs it, said. Colnaghi's deals in European paintings from the fourteenth to the early twentieth century, prior drawings and sculptures, and has had an Oriental department for three years. Mr Paul Mellon, the great American collector, called when I was there.

The loss to three-quarters of our business is with museums, mainly foreign, but we sell quite a lot to British museums," Mr Harcourt said.

"With museums you tend not to get the pictures back. With a private client you sometimes handle it three times."

The theme was echoed across the road by Sir Geoffrey Agnew, chairman of the family firm, which goes back six generations farther to son; no banks are involved.

"For the really top things, there is more than ever a great deal of competition," he said. "But there is a shrinkage. Stuff goes into museums, and museums do not die." Sir Geoffrey reckons he sells about 40 per cent of turnover Britain, of which 30 per cent probably goes to museums.

Dealing, he said, is a highly personal business. "Bankers feel there should be a ready flow of ascertainable profits. It's not work like that." He and his partners do much travelling, and German, Dutch, Canadian, Australian and Scandinavian museums are among their best clients.

Leggatt's, of St James's Street, is another family firm that has stayed off the advances of the banks, preferring overdraft facilities with the Clydesdale Bank. "I do not want to have my tail wagged by a banker," Mr Hugh Leggatt said. He has a knack of finding highly rich, but respectable and discreet, private collectors, like the Wills family.

But the days when British aristocrats, newly rich munificence and bankers predominated among his clients are over. Now they are more likely to be museums, or Americans, Swiss or Nigerians, who have excellent taste, he said.

An incorrigible campaigner and writer of letters to newspapers, he wishes more British collectors knew the capital transfer tax advantages of buying pictures deemed to be a heritage object.

Next: The contemporary scene

## Children's charity to benefit from performance

By Our Arts Reporter

The first of four charities that will benefit from extra performances of Tom Stoppard's play, *Travels With My Aunt*, at the Arts Theatre, in London, has been selected from large numbers of applications received since the theatre announced the scheme last week.

"Make Children Happy", which campaigns for children in need in Britain, with emphasis on out-of-school play and recreational facilities, will benefit from a performance tomorrow at 10.45 pm.

Charities are unanimous about the value of the scheme and are queuing to be chosen for one of the three extra performances. But there will be mixed feelings among them about the desirability of advertising for funds on television.

An announcement last week from the Independent Broadcasting Authority said a working party had been set up to examine the rules to see whether charities should be allowed greater freedom to advertise on commercial television and radio prohibited at present except for specific notices of flag days, fetes or other events.

The smaller charities feel

that only the wealthy will benefit, because they will be able to afford more time.

Oxfam have a social advertising budget of £20,000 and had planned this year to advertise on commercial television for the first time this Christmas, spending £26,000 on Southern to publicise their shops in the area. But representatives said they had started too late, and they were also committed to other projects.

Oxfam and 200 other charities have been sent questionnaires and background information by the IBA asking for their comments on the main issues of advertising: replies from them and any other information on the amount of money they receive, will be made up of representatives from commercial television and radio, with Mr A. W. Pringle, deputy director-general of the IBA, as chairman.

## Easy payments

In reply to a complaint by the National Consumer Council, British Gas says that it is allowing 70,000 customers to pay off their bills by easy instalments.

## £22,500 for hospitals

More than 800 hospitals will share about £22,500 in this year's Hospital Saving Association's Christmas distribution of gifts.

## Strike over staffing halts Observer

By a Staff Reporter

The Observer failed to appear yesterday, its 166th anniversary, because 22 machine managers walked out in defiance of instructions from their union, the National Graphical Association.

The loss to the newspaper is likely to have exceeded £100,000. It is understood that the men, who look after the machines while the newspapers are being printed, want more staff. Their numbers, like those of other union branches at the Observer, were reduced in 1975, from 29 to 25.

The dispute has been raging on for most of the past year. The Newspapers Publishers Association and the union have tried to resolve it, with no success.

The men withdrew their claim from the official negotiating machinery, then put it forward again to management. Their union officials instructed them to work normally. However, on Saturday night they voted to leave the building.

The machine managers have been seeking either five more men or demanding that three overseas who look after the machines be sent to work on the machines. On Saturday they refused to start work until the overseas were provided.

The management argues that the 1975 redundancy agreement, which was formulated in conjunction with the NGA, is binding and that no more men are needed.

The machine managers earn £50 for working one night a week from 4 pm until the early hours of the morning.

There were 27 pregnant women in prison on November 17.

Home Office, November 24. School examination passes: The proportion of school-leavers in 1975-76 with five or more O level grades A to C or CSE Grade 1, was 30.8 per cent. A level passes expressed as a percentage of the relevant age groups, was 22.4 and 8.3 respectively.

Education, November 28. Naval manning: The total number

on sea service on September 30 was: Royal Navy, 25,047 (40.6 per cent of total); Royal Marines, 344 (4.5 per cent of total).

Defence, November 28. Personal incomes: Take-home pay for married men with two children under 11, and average earnings for a full-time manual worker, were: March 1974, £20.55 a week; October 1974, £22.19; and September 1977, £25.95—all expressed in September 1977 prices.

Treasury, November 24.

Output: Output per employed person in the United Kingdom at constant prices (1955=100) was: 1948, 61.2; 1953, 72.5; 1960, 78.4; 1965, 87.5; 1970, 100; 1972, 105.3; 1973, 109.2; 1975, 107; and 1976, 105.

Employment, Nov 24

Income Tax: The percentage of income paid in income tax and employees' national insurance contributions by a single man and by a married man with two children under 11, each with average earnings, was 1945-46, 24.6 and 6.0 respectively; 1950-51, 14.2 and 3.5; 1955-56, 12.7 and 3.3; 1960-61, 13.5 and 6.5; 1965-66, 24.3 and 11.3; 1970-71, 28.7 and 19.3; 1976-77, 31.3 and 22.7.

Treasury, Nov 24

National Finance: Total Government revenue from all taxes a head was: 1950, £77; 1955, £97; 1960, £116; 1965, £166; 1970, £228; 1975, £287.

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Employment, Nov 24

Income Tax: The percentage of income paid in income tax and employees' national insurance contributions by a single man and by a married man with two children under 11, each with average earnings, was 1945-46, 24.6 and 6.0 respectively; 1950-51, 14.2 and 3.5; 1955-56, 12.7 and 3.3; 1960-61, 13.5 and 6.5; 1965-66, 24.3 and 11.3; 1970-71, 28.7 and 19.3; 1976-77, 31.3 and 22.7.

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## WEST EUROPE

# Refusal of British and Irish to pay large increases sets scene for undignified EEC budget dispute

From Michael Horvath  
Brussels, Dec 4

An undignified and mercenary wrangle over how much individual members should pay into the EEC Budget next year, and how much they should get back in return from the Community's regional fund, seems likely to be the central event of the two-day summit meeting of heads of government of the Nine opening here tomorrow.

At the heart of the dispute is the refusal of the British and the Irish to accept in full the very sharp real increases in their budgetary contributions in 1978 and 1979, which would arise from the planned switch next year to a new unit of account for calculating the Budget.

In cash terms, Britain's estimated gross contribution this year of about £700m would almost double in 1978 to about £1,380m if the full implications of the new unit of account were accepted. This is what the Germans and most other members have been insisting on.

Britain, backed by the European Commission, considers that a fair contribution next year would be some £1,140m, still a substantial increase, but

£240m less than the maximum demanded by West Germany. The difference between the two sides is about the same for the 1979 contribution as well.

The disparity arises because the unit of account used at present for budgetary purposes is converted into national currencies at pre-1971 gold-based rates. Thus the pound is still deemed to be worth 2.4 units of account, against a value of only 1.5 in the new unit, which would be based on current market rates.

The British and Irish have made clear that they cannot accept the switch to the new unit of account if the result is a bigger increase in their contributions than they would incur anyway as they move in annual steps towards a full role in 1980 in the Community's self-financing system.

Last month, EEC Budget ministers came close to agreeing on an ingenious Belgian-Danish compromise. This would allow each member to calculate its contribution at the unit of account rate most favourable to it (in practice everyone except the British and the Irish would pay less under the new unit of account).

The result would be a Budget deficit next year estimated at between 3.5 per cent and 4 per cent. This, the Danes suggest, could be met by a loan raised on the international capital market and repaid out of the Community Budget after 1980.

But legal experts in Brussels say that EEC rules do not permit the Community to run a Budget deficit. Politically, neither the French nor the Germans appear happy about the compromise, which cannot in any case be disentangled from the separate dispute over the regional fund.

The Commission, backed by the British, the Italians, the Irish and the European Assembly, wants the resources available to the fund, which is designed to transfer wealth from the richer to the poorer regions of the Community, to be raised to £480m next year, from £230m in 1977.

The Germans say that this is far too big an increase, while the French are insisting that whatever the size of the fund eventually agreed their share should be raised from 15 per cent to 21 per cent. The Italians, British and Irish are anxious to preserve their large existing shares of 40 per cent, 28 per cent and 6 per cent.

## Señor Suárez consolidates his support

# Ruling political groups in Spain agree to merge into one party

From William Chislett  
Madrid, Dec 4

Señor Suárez, the Spanish Prime Minister, has persuaded all but one of the parties represented in his ruling Democratic Centre Union to dissolve themselves and form a single party.

The political committee made up of representatives from the federation of 12 parties, which constitutes the Centre, agreed over the weekend to form one party. The committee gave the parties until next Saturday to dissolve themselves. Any who do not, it said, will be left at the margin of the Centre, given that there cannot be double membership.

Only the Popular Democratic Party headed by Señor Ignacio Camacho, the former Minister for the Cortes, who resigned in September, voted against the decision.

The Christian Democratic Party of Señor Fernando Alvarez de Miranda, the President of the Lower House, abstained in view of its decision not to disband "until the Centre adopts more of the Christian Democratic ideology". However it is believed that

Señor Alvarez de Miranda will now go along with the idea, given the overwhelming support for unity. He is reported to have obtained some concessions from Señor Suárez, particularly regarding educational subsidies.

Señor Suárez called the decision "enormously important for the consolidation of democracy". For months now, since the Centre was hastily formed before the June general election, there have been reports of "crises" in the Centre as Christian Democrats, Social Democrats, Liberals and the Prime Minister's Independents vied for their voices to be heard.

Psychologically the decision is important for Spaniards have come to think cynically of the Centre as being little more than a loosely-knit collection of self-perpetuating interests. Politically, with a view to municipal elections and most probably general elections next year, the Centre should be in a stronger position. Fresh general elections are likely after the constitution is approved next year.

Compared to the left the Centre is very badly organized, particularly in the provinces.

The only way such a grouping can hold together is by the member parties burying their differences, which are slight anyway and move a matter of personality clashes.

Señor Suárez, who himself has yet to declare precisely where he stands politically, has managed to bring some order into the Centre and as a result it is quite likely that the minor government reshuffle which he hinted at in October will now go ahead.

The Centre also agreed at its meeting to reconsider Article 3 of the draft of the new constitution, which declares that Spain will no longer be a confessional state. The Roman Catholic Church attacked this article last week.

The left has told the church to mind its own business, but the Centre is having second thoughts because its support for a considerable lessening of the church's influence could lose it votes to the right-wing Popular Alliance.

In Pamplona extreme right-wing and left-wing demonstrators clashed yesterday during a demonstration called in favour of including the province of Navarra in a statute of autonomy for the Basque country.

## Dr Soares in need of Communist votes

Lisbon, Dec 4.—Dr Antonio Macedo, the Portuguese Socialist Party chairman, said today that Communist support for the minority Socialist Government in a crucial confidence vote in Parliament next week would be welcome.

Dr Mario Soares, the Prime Minister, may have to rely on such support if his 16-month-old Government is to survive over the issue of a tough economic austerity programme.

In a speech at Aveiro, 175 miles north of Lisbon, Dr Macedo said there was no difference between the votes of the 40 Communist deputies in the 263-member Assembly of the Republic and those of the 73-strong Social Democrats and the 41 Centre Democrats.

The two main opposition parties are expected to line up against Dr Soares at the end of a marathon 19-hour debate beginning on Tuesday morning and ending at midnight on Wednesday.

The Socialists can count on only 102 sure votes, and thus need Communist support or right-wing abstentions to survive.

Dr Soares, the Communist leader, today repeated that his party would not give a blank cheque to the Socialists, whom he accuses of selling out to the right, capitalism and imperialism. "We shall do our best to reach agreement with the Government," he said in a radio interview. "But there must be concrete agreements and the Government has so far shown no sign of really wanting to come to terms."

Dr Soares declared his intention of staking the life of his Cabinet on a confidence motion after failing to win approval from the Opposition on a resolution to beat the country's grave economic crisis.

After seeing President Eanes last night, the Prime Minister said the Government was "serene and calm" and would accept the verdict of Parliament whatever it was.—Reuter.

## Dutch coalition agrees on Premier and Cabinet posts

From Robert Schulz  
Amsterdam, Dec 4

Mr Andries van Agt, the parliamentary leader of the Christian Democrats, and Minister of Justice in the outgoing Labour-Christian Democratic Government, is expected to be asked by Queen Juliana to form the new Government early in the week.

There was some doubt whether Mr van Agt, politically the most obvious choice to lead the right-of-centre coalition of Christian Democrats and conservative Liberals, would be prepared to do so. He is not an economist, and his Government will have to tackle a number of urgent economic problems.

The choice of Prime Minister was the final obstacle in the talks between the Christian Democrats and the Liberals. After earlier agreement on a programme, the parties reached agreement late on Friday on the allocation of portfolios.

The Christian Democrats will provide 10 Cabinet members, including the Prime Minister. Their portfolios include Justice, Finance, Defence, Social Affairs and Overseas Development. The Liberals will provide six Cabinet members.

The new Government will have a shaky base in Parliament as six left-wing Christian Democrats have refused to approve the pact with the Liberals. The new coalition can thus be certain of only 71 votes in the 150-seat parliament. The six dissenters are, however, prepared to judge the Government's actions on merit.

## Pressure to end councils of Italian provinces

From Our Own Correspondent  
Rome, Dec 4

Senator Gaetano Stamattei, Minister of the Treasury, in a recent speech, made a notable line of reformers to demand the abolition of the 94 provincial administrations in Italy.

His object is to save money and to put an end to an institution which shows every sign of having outlived its usefulness.

The regional governments, covering much wider areas, have their full powers, while the municipalities are regarded as an essential part of local government. It is they who have had to deal with many of the consequences of the widespread shift from the countryside to the towns.

The provinces are an intermediary stage of local administration with few powers or responsibilities to justify a separate level of organisation. And they have increased their debts by 250 per cent over the past 20 years.

Historically the province was introduced into parts of Italy by Napoleon on the model of the French department.

Each province elects a council every four years with between 24 and 45 members depending on the number of inhabitants. The council in turn elects an executive which sits with the comparatively small fields which are the province's responsibilities. These include a certain amount of subbuilding and maintenance not including highways for which the state or the municipalities are responsible; some assistance to the elderly, the sick, the disabled, the unemployed, the poor, the orphaned, and some responsibilities for health, such as the vaccination of contagious diseases.

The share of road maintenance amounts to about 4,000 miles and there are striking differences in the costs of such work. In the Italian province of Agrigento, for instance more than £2,100 is spent for every kilometre, while in the north-eastern province of Pordenone the sum is less than £100.

Politically, the provinces are remarkable for the number of officials at the head of the executive—about 36 out of the 4—meaning that a party with 0 per cent of the national vote has well over one third of the provincial chairmanships. The biggest party is the Christian Democrats, comes second. The likelihood of abolition is regarded as particularly high, for the provinces remain a useful field of patronage. The election for the provincial capitals would be strong and in some places probably intense if they were to lose their status.

## Régis Debray wins

Paris, Dec 4.—Régis Debray, the French left-wing intellectual allied in Bolivia during the 1960s, has won the 1977 Prix Renaudie for his novel *La Neige du désert* (The Snow is Burning).

## French police protect Algerians after threat

From Ian Murray  
Paris, Dec 4

Police controls are to be stepped up to protect Algerians living and working in France after the murder on Friday of a nightwatchman in Paris. According to an anonymous telephone call, the "Delta" group was responsible.

"Delta" was the codename of the commando group which, at the height of the Algerian war, carried out many daring and vicious attacks against French troops detailed to hunt members of the right-wing OAS (Organisation Armée Secrète). It has not been heard of since its first leader, Roger Degueldre, a Foreign Legion paratrooper lieutenant, was executed in 1962.

The murdered nightwatchman, Laid Said, was on his way into the offices of the European Algerian Association in the Rue Louis le Grand, near the Opera, when he was shot down by two or three men using heavy military pistols. Although he made his escape in a car which had been double parked outside the office.

Some four hours later, the telephone call was made to Agence France Presse in Paris

by a man claiming to speak for "Delta" and threatening to execute organisers of all Algerian associations in Europe if the French hostages taken by the Polisario were not released by 1 pm today. According to "Delta", the nightwatchman had been killed in revenge for the two French who died in the raid on Zouerate on May 1, when six French hostages were also taken.

Yesterday there was another "Delta" telephone call, this time to the AFP office in Lyons. The caller said that in order to prove their determination to strike at those who "financially and morally help the murderers of the French nation" they would hit at the representatives of Algeria. The next attack would be in Lyons within a week.

Mr Lionel Stolorz, the Independent Labour Minister, said in a television interview today that protection for the Algerians would be stepped up. The fact that French citizens intractable way was no reason why the 300,000 Algerians in France should live as though they were hostages, he said. The French Government would do everything to fight terrorism of whatever form.

## Youth shot dead during home rule rally

Madrid, Dec 4.—Riot police and paramilitary civil guards fought a four-hour battle with home rule demonstrators who threw rocks and built barricades in the southern city of Malaga today.

A 19-year-old protester was killed by a bullet and many other people, among them 20 policemen, were injured in incidents during a high profile autonomy march.

Violence broke out after a group of demonstrators hurled stones and rotten oranges at the provincial council headquarters. They were protesting against the provincial governor's decision to fly the Spanish flag

from the building instead of the green and white Andalusian banner.

Firing rubber bullets and smoke flares, the police scattered the crowd. But thousands of demonstrators later regrouped, blocked off several streets with building materials and vehicles and counter-attacked with rocks and bricks. The governor then called in the Civil Guards to back up the police.

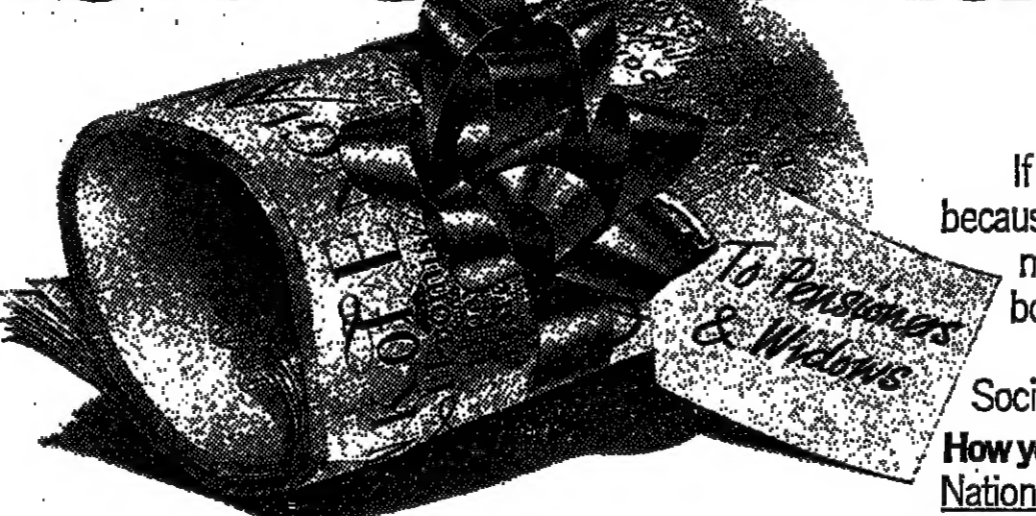
An Andalusian trade union spokesman said the police had drawn their revolvers when chasing the demonstrators, but it was not known who had fired the shot that killed the youth. Trade union officials have

called for a general strike in the region on Tuesday. Demonstrations, reflecting a new surge of regionalist feeling, were held throughout the Andalusia and in the north-western region of Galicia.

Spanish television estimated that three million people took part in the demonstrations in Andalusia. An estimated 350,000 people marched in Galicia.

Andalusia and Galicia are two of the country's poorest regions. Demands for autonomy have mounted since the decision by Señor Suárez, the Prime Minister, to grant autonomy to Catalonia last September.—UPI and Reuter.

# How you will get your £10 Christmas Bonus.



If you are not getting an increase because of her current high earnings you may still be entitled to an additional bonus.

So you should contact your local Social Security office straight away.

**How you'll be paid.**  
**National insurance retirement and widow pensioners:** If you are normally paid by order book you will get your £10 at the Post Office when you cash your order for the week beginning 5 December. But please help by cashing your order on time that week. There are some exceptions:

- \* Widows getting widow's allowance (for first 26 weeks of widowhood) will be sent a girocheque.
- \* Those with retirement pensions paid by 4-weekly order books who do not have an order payable in the week beginning 5 December will be sent a girocheque.
- \* Pensioners paid by payable order will be sent a separate order for £10.

Everyone else who qualifies will get the payment by girocheque. Some married women who have claimed Non-Contributory Invalidity Pension may not yet have received their order books but arrangements will be made to include the bonus in the first book.

If you haven't got your £10 by 3 January 1978 contact your local Social Security office, telling them which qualifying benefit you receive. If you are a war pensioner write instead to DHSS, Norcross, Blackpool FY5 3TA.

To get the £10 bonus a person must be present or ordinarily resident in the UK, Isle of Man, Channel Islands, Gibraltar or any EEC (Common Market) country at any time during the week beginning 5 December.

Issued by the Department of Health & Social Security.

## Bomb explodes in train at Yugoslav border

Graz Austria, Dec 4.—A bomb exploded this morning in a lavatory of the Belgrade express train after it had left the Austrian border station of Spielfeld and crossed into Yugoslavia, police reported. Apparently no one was injured.

During a routine check carried out on all trains crossing the border, a Yugoslav official detected a suspicious parcel. He pulled the emergency brake but the bomb went off before the train came to a halt.

When the train reached the railway station of Sendj in Slovenia, the damaged carriage was uncoupled and the journey to Belgrade later resumed. The extent of the damage was not known.—AP.

## Briton is shot dead in bar quarrel

Draguignan, Dec 4.—A British tourist was shot dead during the night by an unknown assailant during a quarrel in a bar in the village of Faganières, in Provence.

Mr George Gordon Erington, aged 43, of Derby, had gone to the bar, Les Ombres, with Mr Malcolm Geoffrey Lane and Mr Gordon Reckinson. They were involved in a quarrel with other men, one of whom shot Mr Erington in the back. Mr Lane received a slight head wound, but Mr Reckinson was not hurt. The man escaped.

The three Britons had gone to Faganières to restore a country house they owned in the region.—Agence France-Presse.

## Opinion poll shows French left still just leading

From Our Own Correspondent  
Paris, Dec 4

Yet another French opinion poll, to be published tomorrow, shows the left still just ahead in the run up to the general election in March.

The Louis Harris Poll published in the magazine *Le Point* shows that in the first round of the election the Union of the Left should receive 51 per cent of the votes.

However, when the electors transfer their votes in the second ballot the picture is expected to change and the government majority is tipped to win. A high proportion of Socialist voters are expected to

abstain rather than vote for a Communist if their candidate is defeated in the first round. Other findings of the poll are that the Gaullists' popularity has increased by 2 per cent since the last poll for the magazine in August.

Communists have made a similar gain, while the Socialists have lost 1 per cent. Among the minor parties there is a 4 per cent support for the ecologists' candidates. This figure has remained constant in all recent polls. With the difference between the majority coalition and the Union of the Left being so small, the ecologists seem justified to claim that they hold the balance of power.

## Soldier-students take leave of the École mutiny

From Our Own Correspondent  
Paris, Dec 4

The soldier-students of France's famous École Polytechnique were to have mutinied at the weekend in protest at what they regard as too severe punishments. The revolt was to have been in the form of a sit-in at the college by all the students, but only a handful gave up their weekend leave a stage the protest.

Discontent with military discipline came to a head at the school hall the previous weekend when the director, General Jean-Noël Augier, ordered that one student, Frank Bouleau, had his uniform buttons undone. The general ordered the student to do them up four times and the student refused. The following Monday he was

sentenced to 30 days' detention in his room.

Several other students were also punished, among them a girl for wearing a brightly coloured shawl over her uniform. Last Tuesday 630 of the school's 641 students boycotted lessons. Their leaders were promptly punished and the mutiny continued with the sit-in this weekend.

The school was founded in 1794 and brought into the army by Napoleon to provide engineers for his troops. Recognized as the best school of its type in France, its graduates now work in industry and commerce and very few actually join the services. Resentment against the military regime and discipline has caused increasing trouble over the past few years.

## Swiss reject tax reform on higher incomes

From Our Correspondent  
Geneva, Dec 4

In a national referendum Swiss voters have rejected proposals for a reform of taxes on higher incomes. A uniform scale of assessment was proposed to be applied nationwide replacing the present scales that vary considerably among the 25 cantons.

Under the proposals put forward by the Socialist Party, income tax would have been raised for people with an annual income of 100,000 Swiss francs (£25,000) upwards, ranging from 27 per cent on that figure to 47 per cent on 1m francs. Similar scales are already applied in some cantons.

Statistics show that 2 to 3 per cent of taxpayers own about half the total of individual assets.

## OVERSEAS

## Patriotic Front leaders invited for talks in London to clear up suspicions over British policy

By Our Diplomatic Correspondent

Britain intends to keep in touch with all the Rhodesian settlement parties while Mr Smith, the Rhodesian Prime Minister, pursues his own discussions in Salisbury.

Accordingly, Dr Owen, the Foreign Secretary, has invited Mr Joshua Nkomo and Mr Robert Mugabe, the two Patriotic Front leaders, for talks in London later this month. The proposed dates are December 12 and 13.

The invitations were sent out at the end of last week. Mr Nkomo's was delivered by the British ambassador in Lusaka and Mr Mugabe's was sent to Harare.

The Foreign Office has no indication that either Mr Nkomo or Mr Mugabe will be willing to come to London for talks now. Given the Front's suspicions about British intentions, the

prospect of any fruitful exchange does not seem to brighten. Nevertheless, Dr Owen wants to continue the discussions which Field Marshal Lord Carver, the British Resident Commissioner-designate, began on arrangements for a ceasefire and also on the wider issues of the settlement plans in the British White Paper.

Yesterday, Dr Owen saw the Rev Ndabaningi Sithole, one of the nationalist leaders who is taking part in the talks called by Mr Smith to discuss holding elections based on adult suffrage in Rhodesia. Mr Sithole is passing through London on his way home to Salisbury.

At the weekend, Dr Owen defended the British policy of trying to seek a peaceful settlement and gave a warning against attempts to glorify the liberation forces in southern Africa.

Anyone who wished to glorify the liberation

struggle and those who somehow thought there was a soft option to supply arms to the liberation forces should be disabused, Dr Owen told a Labour Party and Anti-Apartheid Movement conference in London.

"It is going to be a very long, bloody and damaging struggle in which a whole host of people will be killed and the outcome is uncertain", he said. "For the Western powers to give up all forms of attempting to solve this peacefully would be an act of monumental folly which history would judge us most severely for."

Dr Owen also said in a television news bulletin that world opinion was outraged by the verdict that South African security police were not responsible for the death of the black African leader Steve Biko. A lot would depend on the South African Government's reaction to this opinion.



Colonel Gaddafi (centre), the Libyan head of state, raises the hands of Palestinian leaders George Habash (on his right) and Yassir Arafat at the end of the rejectionist summit in Tripoli yesterday.

## Egypt indicates that American pressure on Israel is needed

By Our Foreign Staff

After bypassing the United States in initiating peace talks with Israel, Egypt yesterday urged Washington to play a bigger role in actual negotiations for a Middle East settlement.

Mr Mamedouh Salem, the Prime Minister, told the Egyptian Parliament the United States bore a special responsibility by virtue of its special relationship with Israel.

"The post-initiative stage opens new horizons for bigger positive steps required from the United States in order to push the new situation towards the establishment of peace based on justice", he said. He appeared to be indicating that the time had come for the United States to put pressure

on Israel to make concessions to the Arabs.

"Israel today faces a choice between security and expansion", he said. "Its leaders face the responsibility of sparing the people of the region, a horrible alternative to the present unique opportunity for a permanent and just peace for all." Egypt has named Dr Esmat Abdul Maguid, its representative at the United Nations, as leader of its team at the Middle East preparatory peace talks. It has called here and fixed December 14 as the likely start date. It also summoned home for urgent consultations the ambassadors to the Soviet Union, Iraq, Syria, Algeria and South Yemen.

Informed sources said the

diplomatic move was a protest against an anti-Egyptian propaganda campaign after Mr Sadat's visit to Israel on November 19. The four Arab countries joined Libya and the Palestine Liberation Organization in Tripoli to mobilize opposition to President Sadat's policies.

In Moscow Pravda said the proposed Cairo talks on the Middle East were only a cover for a separate Israeli-Egyptian settlement. Moscow could not take part in such "unseemly deeds".

The peace initiatives by President Sadat were a failure and had "seriously aggravated" the efforts to defuse tensions in the Middle East.

"The psychological shock, the effect of surprise, these

elements of Cairo's tactics on which they counted a great deal, did not work", it said.

The refusal of several Arab countries to attend the talks showed they "promptly discerned the essence of the Cairo manoeuvre, aimed at contorted negotiations with Israel for the sake of separate deals".

In an interview with Independent Television News, President Sadat said that if Israel wanted last month's mutual non-aggression pledge to stand, it had better bring a softened negotiating position to the Cairo talks. Speaking in his suite room house on the Nile, he said: "They have to face the consequences... We will have a new situation."

Egypt's demands were clear:

total withdrawal from occupied Arab lands and establishment of a Palestinian state, he said. He was concerned that Israel's delegation was made up of "experts" who might leave the talks bogged down in detail, rather than focusing on big political issues.

They should come to Cairo with the answer [to my peace initiative] in their pockets", he said.

Asked whether the "consequences" Israel might suffer if it maintained its refusal of Arab demands could include war, he said: "We have the right by the United Nations charter, by anything in this whole world, we have the full right to liberate our lands whenever we choose to do this."

## Prisoners of conscience



## Syria: Jamil Sadan

By David Watts

Mr Jamil Sadan has been in prison in Syria, without charge or trial, for 21 years.

A member of the Druze sect which lives in the mountainous zone bordering Israel, he is believed to have been arrested as a result of a land dispute with his brother, a member of the security forces who gave false information against him. The security forces are empowered to detain political prisoners indefinitely without charge, trial, or access to legal representation.

Mr Sadan was imprisoned at first in Al Mezza military prison, near Damascus, before being held for about 12 years in Room 8. The cell contained 40 beds, but it is known that 73 people were held in it recently.

Apparently, Mr Sadan shows signs of mental disturbance.

## Bishop likely to attend next Salisbury meeting

From Frederick Cleary

Salisbury, Dec 4. Bishop Abio Muzorewa, the Rhodesian nationalist leader, is expected to be present at the Salisbury settlement talks when they resume next Friday.

He missed the first round last Friday after proclaiming a week of mourning for the 1,200 Africans killed in Rhodesian raids on guerrilla training camps in Mozambique. This will end on Thursday.

However, Bishop Muzorewa did not commit himself specifically to joining the talks when asked at the weekend if he would take his place alongside Senator Chief Chirwa, leader of the Zimbabwe United People's Organization, and the African National Council (Sithole) faction, represented last week by Dr Elliott Gabaheh.

All Bishop Muzorewa, who leads the popular United African National Council, would say was that it was important for the talks to go on. The public should be happy about this.

Observers here, who have made his point about the raids on the guerrilla camps, Bishop Muzorewa has shown that he is no Smith puppet.

Torture inquiry: A Rhodesian army inquiry into an allegation of torture by British soldiers, expected to produce a report this week. In addition, the part played by an American photographer employed by the Associated Press news agency in Rhodesia may be disclosed.

The agency has already published an account of the alleged atrocity reported by Mr Ross Baughman, who claims he saw a 25-man cavalry unit loot, burn down native huts, beat a local politician in the western

Lupane area of Rhodesia and torture the man's wife and daughter.

Mr Baughman is said to have worn an army uniform, carried a weapon and ridden with the troops. On his own admission, he departed from his observer role and was "drawn in on one occasion". By wearing a Rhodesian military uniform, carrying a weapon and possibly being a participant in some fighting, Mr Baughman has embarrassed the news agency, which only released that part of the story after being pressured and criticised for suppressing news.

According to the Associated Press report, Mr Baughman met an American who holds the rank of major in the Rhodesian Army, at a party given by the latter to Mr Baughman to accompany the unit on its mission. Mr Baughman left Rhodesia on November 20 or 21 for London.

Because of the special inquiry into the torture allegation, Rhodesian military authorities are not saying anything now except that the Associated Press report carried a number of serious inaccuracies.

In view of this, the Associated Press representative who flew from Johannesburg to Salisbury to investigate the allegations, has agreed to hold up publication of a detailed account of the incident provided the Rhodesian authorities produce certain information.

The Rhodesian military command is determined to pursue any forces involved in torture and has announced that the due process of law will be applied even if this means prosecuting members of the security forces.

Police say the arsonists seem to have been using walkie-talkie radios to communicate, and that many appear to move around the island's perimeter by boat.

The damage last night was small compared with the destruction on Friday, in which Gosling's Wine and Spirit warehouse, the largest on the island, was destroyed with all its contents.

Partly because of fears that other food shops might disappear, and partly because of the siege mentality that a curfew fosters, the remaining supermarkets were crowded all day yesterday, as residents loaded their cars with produce. Most shops on the fashionable Front Street on the harbour side have their windows boarded up to deter fire-bombers.

The police force comprises 381 men, most of them white. English policemen on contract, and hundreds of reservists. On top of this, the Bermuda Regiment has 350 men. After the eruption of the troubles on Thursday night, the remaining 24 hours and, with no spare capacity, outside help was essential. The fire service also called on volunteers and received help from firefighters from the United States Navy base here.

Some members of the Government insist that the way to deal with the troublemakers is to crack down hard. Mr Harry Viera, Minister of Information,

## Tourist exodus from troubled Bermuda

Continued from page 1

gas masks, moved to the road intersections at the corners of the block and began firing tear gas to break up the crowds gathering in knots. Most people fled from the gas, but a few acted defiantly. One approaching a police vehicle with a sledgehammer, which he did not in the event employ.

This was in the late afternoon, about an hour before a curfew was imposed. The curfew has now been advanced by half an hour to 5.30 pm, but it has been Street area.

Fortunately for the police, heavy rain broke out at about 5 pm, and sent people hurrying indoors. It lasted some five hours, and by the time it had ended the night had already set into a relatively calm pattern.

All the same, several fires were started by youths throwing petrol bombs, some of them into buildings which had already been partially burnt out in previous attacks. The only significant destruction was in a curfew street where a Muslim bakery was destroyed completely because firemen waited for police clearance before going to tackle it.

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Some members of the Government insist that the way to deal with the troublemakers is to crack down hard. Mr Harry Viera, Minister of Information,

admitting that the extent of the disturbances had taken the Cabinet by surprise, said: "There's only one way to get on top of them. You have to get a bit rough. If the Government doesn't use real force and get on top of all this, Bermuda will break up."

Such feelings are shared by many Government supporters, one of whom spoke to me about Marxists and anarchists being at the root of the trouble. A more moderate approach, however, is taken by the opposition Progressive Labour Party whose leader, Mrs Lois Browne, is said to appeal for an end to the violence.

In doing so, she blamed the trouble on the "sociological, economic and political tensions which in the Bermudian way, we have swept under the carpet to fester". Although it is by most standards a prosperous country, with no visible extremes of poverty, Bermuda was one of the last spots in the British Empire to end racial discrimination and to give equal voting rights to all adults.

Much racial distinction of an informal nature still remains, say the more militant blacks. Capital punishment, which the Labour Party wants to see abolished, is regarded by them as a remnant of aristocratic and repressive rule.

They feel the same about the Government's insistence that the letter of the law had to be obeyed, even though there had been no hanging in the colony for 30 years. Whatever the rights and wrongs in this instance, it is undeniable that if there had been no hangings there would have been no rioting.

The economic consequences of these unhappy few days could last well beyond the time that peace is eventually restored. Tourism is virtually the island's only industry.

Many American visitors have cut short their holidays. This is not solely because of fear, though the death of two Americans in a hotel fire on the eve of the hangings has helped to spread the word. (The fire was at first said to be unconnected with the disturbances, but police said later that they were treating it as arson.)

A more powerful motive for the tourists' exodus is the curfew, which has closed down the island's night spots, forcing visitors to stay in their hotels after 5.30 pm.

It is decidedly the kind of trouble that Americans do not like. And there are plenty of other warm weather resorts vying for their custom.

Owen statement: Dr Owen, the Foreign and Commonwealth Secretary, will make a statement to the Commons about Bermuda today.

## Tory leader arrives in Belgrade

From Our Correspondent

Belgrade, Dec 4.

Mrs Thatcher, Leader of the Opposition, arrived in Belgrade today for a crowded two-day programme of talks and official ceremonies including a meeting with President Tito who has just returned from Romania.

It is Mrs Thatcher's first visit to Yugoslavia, and although the Yugoslavs are familiar with her views on Communism and may not share her ideas on private enterprise, they welcomed her as a talented and hard-working politician.

In introducing the Tory leader, the official Yugoslav press hailed her for her reputation for firmness, organisational ability and efficiency. She is accompanied by Sir Fitzroy Maclean, who headed the British mission to the Yugoslav partisans during the last war, when he formed a lasting friendship with President Tito.

His presence at Mrs Thatcher's meeting with the President on Tuesday will lend a touch of informality to the occasion. During her visit Mrs Thatcher will talk to the members of the British delegation to the Belgrade conference, reviewing the Helsinki agreement. She has been urging that the conference should not end before Soviet citizens monitoring observance of the 1975 human rights accords are released from prison.

She will also meet Mr Kiro Gligorov, chairman of the Yugoslav National Assembly, her official host, and Mr Dolanc, secretary of the executive bureau of the Yugoslav League of Communists.

## Cairo limits number of newsmen for talks

From Our Correspondent

Tel Aviv, Dec 4.

Egypt has set a limit of 30 Israeli correspondents, photographers and broadcasting technicians to cover the Cairo talks later this month. This is roughly equal to the press corps in President Sadat's entourage when he visited Jerusalem.

Hundreds had applied to the Israeli authorities, but the Egyptians said the limit was made necessary by security considerations and limited accommodation.

Cairo informed Jerusalem of the limit this weekend as a trickle of uninvited Israeli journalists was gaining strength. Mr Dayan, the Israeli Foreign Minister, told the Cabinet today the Egyptians had been particularly chagrined and embarrassed by the arrival of a producer and a correspondent of Israel television, which is state owned.

Mr Haim Yavin, director of the television news department, said the two men did not work by the clock. They had gone to Cairo on their own, notwithstanding a general directive by the studios. He saw no reason to recall them, however.

Mr Yavin said the pair had sent back a glowing report of their reception by officials and the man in the street. This was consistent with reports by journalists who had preceded them to Cairo.

One reporter wrote today that the Egyptians had put a car at his disposal and assigned a guide and a bodyguard to him. They explained he was free to go where he wanted, but the precaution was prudent as his presence in the country had been reported. Palestinians or Libyans might be planning to ambush him.

to the armed forces, thus making it impossible for him to emigrate.

She still hoped to emigrate to join her husband in Holland. She added that since her husband's defection she had been treated well, and continued to be able to speak with him regularly by telephone.

Mr Korchnoi is at present playing a chess match against Boris Spassky in Belgrade.

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to the armed forces, thus making it impossible for him to emigrate.

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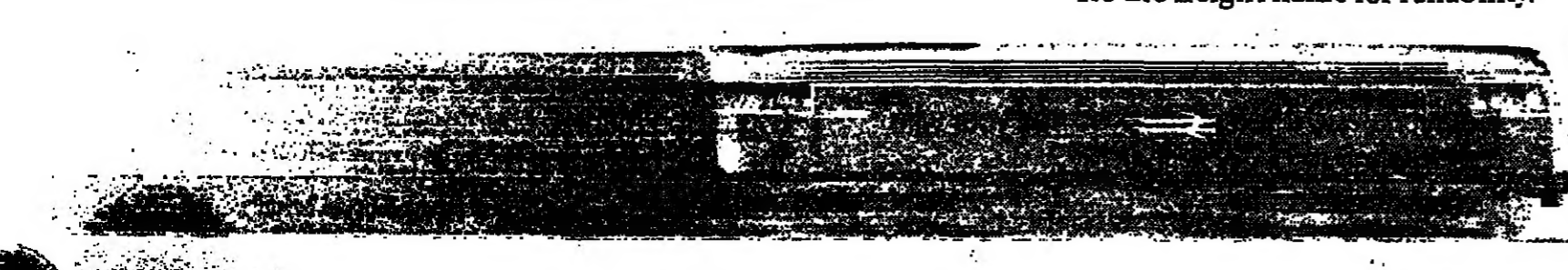
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## OVERSEAS

Napoleon serves as model for would-be founder of a new dynasty

## Emperor Bokassa I crowned in Central Africa

Bangui, Dec. 4.—Emperor Bokassa I was crowned here today in one of the most lavish and spectacular events in recent African history.

The 35-year-old emperor, a devotee of another military emperor, Napoleon, was 90 minutes late for his coronation in the cathedral. He made a spectacular entry uninvited for pomp since Haile Selassie had just left the Ethiopian throne.

Emperor Bokassa descended from his ancient eight-ton throne and walked down a red carpet stretching down the centre of the sports stadium to the throne of the Central African Empire, a massive, dark-plated figure of 20, 15 ft high with an 18 ft wing span. The red velvet seat was carved into the breast and belly of the eagle.

He wore a gold-trimmed beige toga, with a broad sash in the imperial colours of red, white, blue, green and yellow, and a small gold-plated crown of oak leaves. The beautiful 28-year-old Empress Catherine, who preceded him into the

coronation room, wore a similar crown.

She was sheathed in a shimmering gold lame dress studded with multicoloured precious jewels and with an 8 ft train. She was accompanied by eight maids of honour dressed in fluffly white, pink and red dresses with broad-brimmed hats.

The Emperor's two-year-old son and heir, Jean Bedel Georges, rode to the ceremony in his own open green and gold coach pulled by a team of six white dappled horses.

He was dressed in a white naval officer's uniform trimmed in gold, with a white peaked cap. He yawned repeatedly and stamped his feet to the music during the coronation ceremony and the following High Mass in the cathedral of Bangui.

Emperor Bokassa received a 6 ft diamond-encrusted sceptre of office and was draped by aides in a 20-ft long red velvet cloak trimmed with white fur.

With the assistance of the Court chamberlain he placed the imperial crown on his head, starting a new royal line on the African continent. The

crown is studded with more than 2,000 diamonds, one of which weighs 38 carats, and topped by a world sphere in gold.

The emperor swore to uphold the constitution and pledged himself to guarantee national independence and to serve the nation in accordance with the empire's political party, the Black African Social Evolution Movement.

Emperor Bokassa then placed a second crown on the head of his kneeling wife. The coronation music was a strange mixture of tunes, ranging from Beethoven's Ninth Symphony to a specially commissioned imperial march and additional African beat music.

There was heavy security throughout the day; thousands of extra police and troops were drafted into the capital. Paratroopers dressed in jungle camouflage and armed with Soviet rifles and Israeli sub-machine guns mingled inconspicuously with guests dressed in morning suits, top hats and long dresses.

Women soldiers of the Imperial Guard, dressed in black rubber boots, black skirts and

red tunics and berets and armed with rifles, guarded much of the route.

The procession from the cathedral site to the cathedral was led by a military band that was also in black and red, followed by horsemen specially trained in France to ride European style and clothed in green and black.

Both the crown prince's open carriage and the emperor's glass enclosed carriage were in ark green, trimmed in gold with imperial eagles at all four corners of each roof.

Traditional African dancers and musicians followed.

Temperatures soared above 100°F (40°C) for the day; the court chamberlain repeatedly mopped Emperor Bokassa's brow.

The coronation and tonight's gala dinner for 2,000 guests cost an estimated £14m, in a country officially listed as among the world's 25 poorest nations, with a per capita income of only about £85 a year. The bill equaled a quarter of what the country earns from all exports each year—UPI and Agence France-Press.

## Oxford v Cambridge Varsity Match for the Bowring Bowl

At Twickenham—tomorrow, Tuesday 6th December

Kick-off 2.15pm



Cambridge became the first winner of The Bowring Bowl at Twickenham last December. The Bowl, to be played for each year, is part of the Bowring Sponsorship of the Varsity Match between Oxford University and Cambridge University.

Bowring itself turned in a winning performance as one of the largest single contributors to this Country's invisible earnings. This contribution resulted in C. T. Bowring (Insurance) Holdings Ltd. winning the Queen's Award for Export Achievement 1977.

During the past two years Bowring Insurance Broking has increased its premium turnover in overseas currencies two and a half times, namely from £177,000,000 in 1974 to £447,000,000 in 1976.

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## Indian atom plant closed after explosion

From Our Own Correspondent Delhi, Dec. 4

The heavy water plant of India Atomic Energy Commission at Baroda has been completely shut down for an indefinite period as a result of an explosion yesterday in the plant's converter. About 20 persons sustained minor burns.

The explosion came after a series of blasts in the converter where heavy hydrogen is extracted from ammonia gas. The converter was soon in flames which took fire brigades an hour to bring under control. The plant is about 200 miles north of Bombay.

Production of heavy water, for which a production target had been set of 300 metric tons by 1979 is now likely, according to informed sources, to be delayed by at least one year.

The Baroda project, started in 1969 and developed by a French consortium, was expected to produce about 67 metric tons of heavy water annually. It was the oldest of four such plants under construction for the Commission.

A team of experts from the AEC is now investigating the causes of the explosion which is reported to have occurred after a leakage had been found in the converter. The Baroda plant had initially been supposed to be commissioned two years back and had still not started to produce heavy water in substantial quantities.

Heavy water is needed for India's nuclear power plants. This was the second mishap to the heavy water programme. Three years ago equipment from West Germany for another plant was reported to have fallen from a ship in a storm off Portugal.

## Polish leadership accused of attacking morals

Warsaw, Dec. 4.—The Polish Roman Catholic Church today accused the state authorities of encouraging sexual immorality in an attempt to undermine the influence of religion.

A pastoral letter read out in churches throughout the country denounced declining moral standards, sexual licence in the mass media, film and theatre, and what it called "brutal sexual education" of the young.

It called on parents, teachers, cultural figures and young people themselves to resist what it said was "a secret plan for the moral disintegration of the nation".

Unlike most other communist countries, Poland is relatively permissive in sexual matters. Many films contain scenes of nudity and sex. Several illustrated magazines feature photographs of naked women.

Observers were struck by this act that the latest church blast against the authorities, although drafted at a bishops' conference in June, was read only three days after Mr Edward Giersek, the party leader, met the Pope in the Vatican.

The Polish Church, they said, was demonstrating that it was not a mere tool of the State but did not affect its readiness to speak out against the Government.—Reuter.

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## Executions defended in Chinese press

Beijing, Dec. 4.—The People's Daily today defended the justice handed down by people's courts including death sentences. "The people's courts are an instrument of repression, not of gentleness," it said.

An article written by the study group of the highest court of justice in Peking, attacked the policies of Lin Biao and the "gang of four" in their field.

According to Lin Biao, Mao's former successor, who disappeared in 1971, the legal system applied by the people's courts in China was directly derived from the capitalist system. During the years before the Cultural



Landfall: Mrs Gash arrives in Sydney

## Woman who sailed the world alone

Sydney, Dec. 4.—A Sydney grandmother who sailed around the world alone said today the best part of her trip was the welcome home she received.

Sipping champagne and surrounded by her family, Mrs Anne Gash, aged 54, said the sight of Sydney harbour was fantastic.

After her arrival on board the Ilmo yesterday, she said she had experienced some terrifying times during the two-year voyage.

Mrs Gash, who has six daughters, left Britain on the return leg in November last year. She passed through the canal system of Holland and Belgium, sailed down the coast of Spain to Gibraltar and the Canary Islands, and continued via Trinidad, Panama and Tonga.—AP.

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## Australia's 'dirtiest' campaign turns tame

From Our Correspondent Melbourne, Dec. 4

At a time when the Australian election campaign had turned severely against the Government, Mr Malcolm Fraser, the Prime Minister, described it as "the dirtiest campaign" he had experienced.

The remark took everyone by surprise, including Mr Fraser's deputy, Mr Douglas Anthony, who said the next day that he had not found it dirtier than any other campaign.

In fact although there has been the normal personal slinging, there has been no real evidence of particularly foul play. Mr Fraser would probably be less inclined to make such a remark now that the opinion polls have his ruling Liberal-Country Party coalition once more leading the Labour Party.

Mr Fraser himself has not come out of the campaign with a spotless reputation. Apart from pressing Mr Phillip Lynch, his Treasurer, to resign by "dodge", and then later revealing that he, too, operated such companies, Mr Fraser has made questionable political claims.

One is that his Government had brought the rate of inflation down from 19 per cent to 9 per cent. Opponents argue that the rate has dropped from a peak of 16 per cent to about 12 per cent.

For his part, Mr Gough Whitlam, the Labour leader, has been accused of a variety of misdemeanours, but none of the allegations has proved to be of much substance. Attempts to suggest that a company called Whitlam Holdings was a mysterious pecuniary interest of Mr Whitlam fell flat when it was shown the company belonged to his son, a merchant banker.

Mr Whitlam was also accused, accurately, of trying to gain votes from Mr Lynch's resignation. He maintains that although Mr Lynch's profit from land deals was not illegal, channelling his windfall through a family trust to avoid tax was highly improper for a man pledged to close just such tax loopholes.

A possible "dirty trick" of the campaign has not come from either party but from a publishing house. After its success a couple of years ago of their book *The Wit of Gough Whitlam*, Outlook Press has now published *The Wit of Malcolm Fraser*.

The paperback has a whimsical portrait of Mr Fraser on the cover, but inside are 100 blank pages.

The only other possibly questionable action which would probably be considered a legitimate election ploy has been the leaking to the news media by the Government of the report of a royal commission on human relationships set up by the Whitlam Government.

The details given to the press concentrated on proposals for the liberalization of laws relating to abortion, homosexuality, the age of consent and incest.

Although Mr Whitlam accused Mr Fraser of making "only the dirty bits" the episode appears to have damaged Labour.

In fact the campaign has probably been milder and less meaningful than many in recent memory, and there have been quite a number.

Mr Whitlam has now campaigned at general elections, against Mr John Gorton, Mr William McMahon, Mr Bill Snedden and Mr Fraser. His score has been lose, win, lose, and at this stage it appears that he faces another defeat after leading during most of the campaign.

Nevertheless, no one would be ready surprised at a Labour victory. There has even been a suggestion recently that a tie is possible which would be trying for Sir Zelman Cowen, the new Governor-General, who would have to resolve the deadlock.

16 feared drowned

Delhi, Dec. 4.—Sixteen people are feared drowned after a boat with 40 people on board capsized near Salem, in Tamil Nadu, South India.

## WILL TOMORROW'S BRAIN DRAIN LEAVE BRITAIN IN THE GUTTER?

In tomorrow's issue, Europa publishes the results of a recent survey on the attitudes and ambitions of Europe's young generation.

Europa investigates the particular willingness of Britain's youth to move round Europe for career opportunities and how we could lose much of our bright young talent to France, Italy and Germany.

Europa also looks at today's personnel managers and their influence and importance in the company boardroom. In addition to his previous tasks, the personnel manager must now "act as an adviser to top management, be a mediator in tense situations, and adapt the company's social strategy to its other key policies."

Finally, the attempts made to build a European Monetary Union are discussed and analysed by David Blake, while Alain Cotta, Professor at Dauphine University in Paris, asks the question as to whether Keynesian economics have now become Dickensian.

Published on the first Tuesday of every month, under the editorship of Jacqueline Grapin, Europa deals with economic, financial and industrial affairs and allied social questions, as they effect the total European business community.

Europa is written by the most respected writers in Europe and is published simultaneously with the newspapers they represent: The Times, Le Monde, La Stampa and Die Welt. Articles are up-to-date and translated into the mother tongue immediately before publication in each of the four countries.

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## A Times Profile

## The man who is trying to save Venice

Sir Ashley Clarke is known widely in Venice as the Englishman who is doing his best to save the city. If Venetians sometimes seem to regard him as a nuisance, it is because he is a nuisance to them. He is the only official who lives there all the time to carry on the work. He has dedicated these years to Venice after a career in the diplomatic service ending with the unusually long period of nine years as ambassador to Italy.

On his mission in Venice, Sir Ashley says, "Venice is unique, and it's absolutely essential to save it. It contains a concentration of European history, and particularly its architectural art, from the eleventh century onwards."

His efforts are directed at both the particular and the general. He spends his time directing work on the restoration projects which Venice in Peril has undertaken; and also lobbying on the larger issues: the legislation to clean the pollution of the water and air that is eroding buildings and statues; measures to halt subsidence of the city; and the vast schemes to prevent further flooding.

"The reason why most of the money allocated for Venice hasn't been spent is that one has to go through a very bureaucratic process to do anything," he says. "The bureaucracy is fantastic. It's not surprising that some people just give up. Then there's the matter of party politics, of jobs for the boys. But things are happening."

Sir Ashley is an active member of the Venetian committee for Venice, and knows everyone connected with the issues, but he devotes a lot of his time to pressing forward the individual projects that Venice in Peril has organized. One, a seven-year plan to restore the Church of San Nicolo dei Tolentini, the second oldest church in Venice, rotted by floodwaters and dirt. Another is the restoration of the ornate Porte della Carta, the entrance to the Doge's Palace.

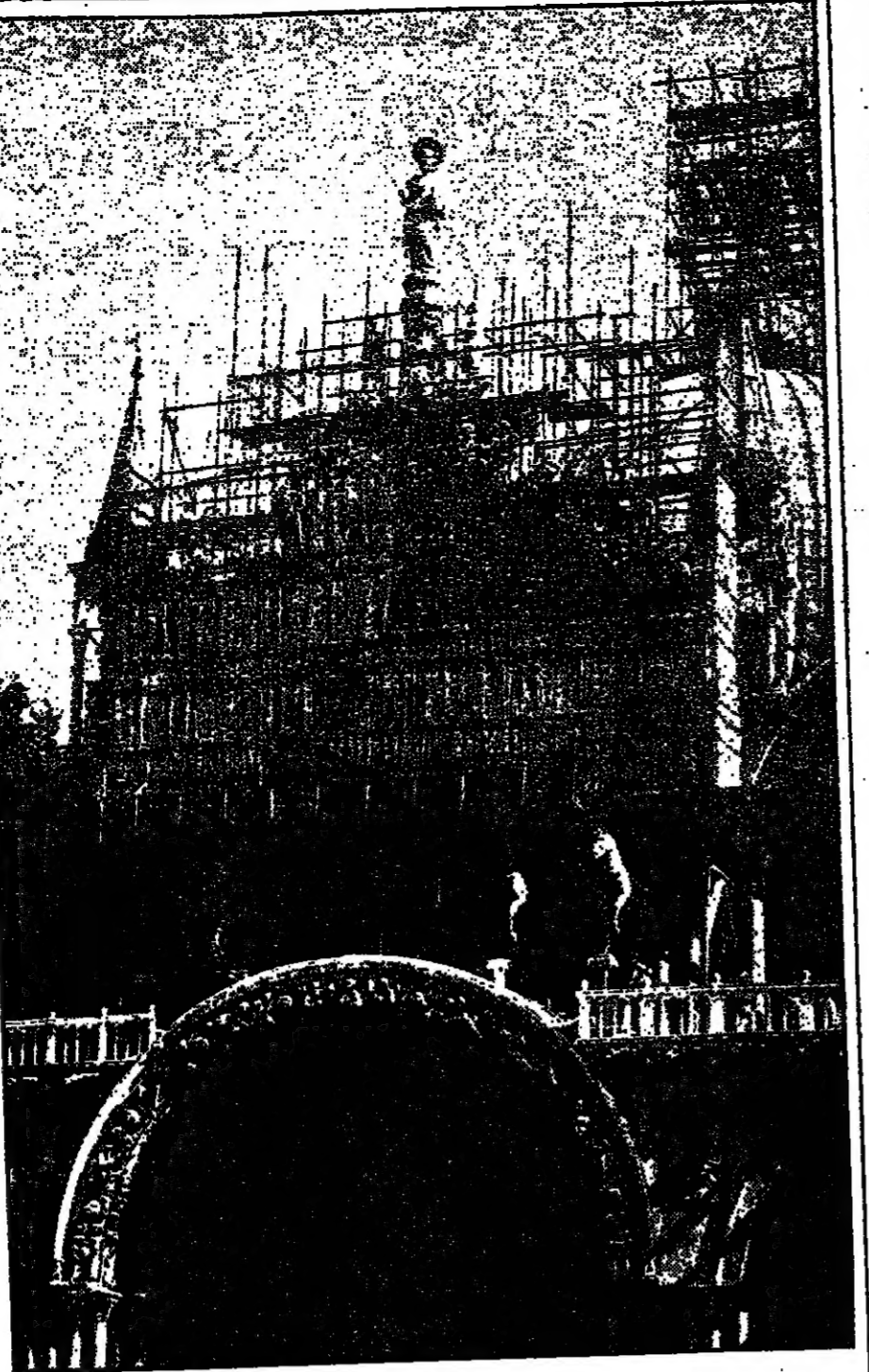
"A large part of my time," Sir Ashley says, "is spent simply reminding people of things. I'll telephone a contractor and say, 'Do you remember that we agreed to have these windows done in three weeks ago that it's very important to get that board fixed in three days?'"

"Yes, I remember." "Have you done it?" "First time in 1932. After that, I used to go to San Viole on Lake Garda, for my summer holidays. I hadn't fully realized what the South was until I went to Florence that time. I hadn't grasped the whole concept of the Renaissance. If whole concepts suddenly hit by the Renaissance at the age of 29, it's bound to change things."

"And when you become involved in Italian art and music, then it goes on. When I became ambassador to Italy, I studied the Italian contribution to European music. As an undergraduate, it was the music that first attracted me. They've made the British people the most musical people in the world."

After his retirement from the diplomatic service in 1962, Sir Ashley joined a number of committees connected with the arts. He was a governor of the BBC, where he was instrumental in turning Radio 3 briefly into an all-music service, and a member of the governing bodies of, among others, the Royal Academy of Music, the Royal Society of Arts, the D'Oyly Carte Trust and the National Theatre. He was also London advisor to the Banca Commerciale Italiana.

His involvement with the perils of Venice came by way of Florence, and it began with the disastrous floods of November 1965. The floods damaged Florence and



St Mark's, with its last three golden horses.

its cultural treasures even more than it did Venice. Franco Zeffirelli had a house in Florence, and when he went there in 1966, he was appalled to find how little was being done to rescue these treasures. He decided to turn to the Venetian committee for Venice, which he had recently directed at the Royal Opera House, Covent Garden, he turned to its chairman, Lord Droghda, with a telephone call at four o'clock in the morning.

As Sir Ashley tells it: "Lord Droghda very kindly waited until half past seven before passing on this call to me, as chairman of the British-Italian Society. We formed a committee, and it was a very distinguished committee. We raised £10,000. That was the Italian Art and the kind became Venice in Peril, and Sir Ashley went to Venice to see what could usefully be done there. He had lunch at a restaurant with Francesco Valenover, who was then superintendent of Galleries and Works of Art. Dr. Valenover said that what they needed badly was a laboratory where they could restore the very big paintings which are characteristic of Venetian art. So a laboratory was created under the direction of Venice in Peril, and among other pictures, two Titian portraits measuring 50 feet by 18 feet were restored there."

Sir Ashley had decided by this time that the only way to keep up the momentum of his Venice in Peril work was to be on the spot, so he took it on as a full-time job, albeit an unpaid one. "The basic truth about Venice," he says, "is one that I only found out after I'd been working on this situation for a while. It's this: you have to solve all the problems at once."

"The first problem is that Venice is sinking. The second is pollution, industrial pollution and the oil central heating and ordinary pollution—Venice doesn't have a proper sewage system. The third is that the waters come in from the lagoon and flood the city, sometimes badly, sometimes disastrously. And the fourth problem is that people are leaving the city, particularly young people."

"Count Volpi got the idea in 1917 that he would establish industry on the mainland, and provide some extra income and employment for Venice. But he had no idea that it would become such a big thing. Then the second industrial zone was established after the war. Thank God they've stopped the plan for a third industrial zone."

"Industry has been pumping water out of the ground, from under Venice, which has been increasing the rate of subsidence. It's also been polluting the waters, and changing totally the character of the lagoon."

"Now they've built aqueducts to bring water from two rivers, and they've said the companies must use these and mustn't pump water out of the ground. It's a problem to get the companies to obey the law, but they are doing it. A law has been passed on pollution. The pollution of the water and the air is being monitored, and it's showing some improvement."

"Now the Venice authorities are holding an international competition to control the waters that come into and out of the lagoon. The idea is to have some kind of a movable barrage across the entrances to the lagoon, which would be raised when there's a flood warning. The trouble with this is that you need a constant flow of water into and out of Venice to clear the waters of sewage. Without a proper sewage system, if you blocked the entrance to the lagoon, the situation inside the city would become intolerable after a very short time."

He has no doubt about the rewards of his work. "It's exciting, something a complete lack of, I can look at something like the Church of San Nicolo and see what has been achieved."

"I spent nearly 40 years as a diplomat, and in diplomacy, you don't see any results. In fact, very often, you know what's going on, but something doesn't happen. The work I'm doing here has tangible rewards."

Norman Moss

## Lord Salisbury and the honours scramble

On January 13, 1887 Queen Victoria noted in her journal another of the changes in the routine of the Salisbury government that followed the premature resignation of Lord Randolph Churchill as Chancellor of the Exchequer and the installation of that ruler prodigal but worthy gentleman, W. H. Smith, in his place as Leader of the House of Commons. "Lord Salisbury said he meant to give Mr. Smith all the patronage, excepting Bishops and Honours."

Despite what seemed at the time a reasonable division of Labour, there must have been moments during the next few months when a harassed and often vexed Prime Minister wished he had given Smith jurisdiction over the latter matter as well. As George Thompson, Goldie, founder of the Royal Niger Company, wrote to the Earl of Lathom, Lord Chamberlain: "Everyone all over British territory expects to secure some honour in Jubilee year."

Goldie was quite right to suggest that the level of expectations about honours was exceedingly high in 1887, but it would be wrong to think it was solely due to the Golden Jubilee of the Queen. In fact these expectations had been growing steadily for years, the result of new wealth, an imperial regime and political instability, all of which produced a good deal of stress and the clear beginnings of change in the existing system. The Jubilee assisted this development, in the sure, but the long columns of names of the newly decorated and ennobled which were published on Jubilee Day, did not initiate it.

To the Marquess of Salisbury, very much a believer in the small and highly select honours system initiated by Sir Robert Peel and based largely on considerations of merit, the changes at hand were fairly appalling. He received by literally dozens of begging letters from gentlemen who even 10 years before would never have dared to write, he seems to have taken no comfort from the knowledge that there was a good deal of long term trend against the times and long things to do, to what they had always been as possible. But this was not to be easy.

The advent of empire had, for instance, changed the honours system permanently, pointing the way to the future. The

Order of the Star of India, although created in 1875, did not become a full order with all the classes of knights and companions until 1876. Another Indian order, called about the same time the Order of St. Michael and St. George, once limited to the reward of citizens of the Indian Islands, was enlarged to permit nominations from throughout the colonies.

In September, 1886, the Distinguished Service Order was created to reward military bravery but managed to arouse criticism from those who feared it might limit the number of gentlemen who might hold it.

The DSO was not the only extension in the honours system in 1886, however, for it was thought necessary to reward those who had taken part in the Colonial and Indian Exhibition by ordering a sizeable increase in the Order of St. Michael and St. George.

Ordinarily these "extra" members, as they were called, would have waited for attention in the membership so as to become regular members, but because of the necessity of awarding places in the order on the occasion of the first Colonial Conference in 1887 and the Golden Jubilee this course was impossible. In March, 1887, Lord Salisbury found he had to recommend a large increase in the number of knights and companions in the order. *Pari passu* once the colonial order had been enlarged it was difficult to hold the line in the Indian orders, and therefore in February 1887, at the time of the Jubilee celebrations in India, the Order of the Indian Empire was enlarged to include knights grand cross and knights commander.

Between these two orders alone nearly 300 new titles of knighthood had been created, and while in practice some gentlemen might hold places in two and more rarely three orders simultaneously (and some might be peers), it was undeniable that the creation of new honours was very large.

The sort of change that was occurring in relation to the knighthood orders was taking place, too, with regard to the hereditary honours. But here the unsuitable political situation was at least partly to blame. By the eighties it was established practice that

upon a dissolution of Parliament or change of government there would be an honours and knighthoods.

In the halcyon period of mid-Victorian stability this custom had little effect, increasing the number of hereditary honours between 1858 and 1885 there were only three ministries. But then came the sea change largely due to the squabbles about Irish Home Rule: between 1885 and 1886 there were also three ministries, all of which produced complete honours lists, partly so large as they were because of the need to reward heavy contributors to party funds.

Salisbury found the entire situation most alarming, since the end result threatened to be an honours system of "no damned merit about it," a delightful phrase Lord Melbourne once used.

Thus when it came time to draw up the Jubilee honours list he did so with a view towards keeping people off rather than putting them up to the Prime Minister.

And when he came to the Prime Minister again at the time of the Diamond Jubilee in 1897 he took considerable pleasure in reducing the number of names sent to the Queen.

The valuable data is Sir Edward Hamilton reported that his friend Sir Horace Farquhar expected a percentage in recompense of the large amounts of money he had subscribed to the Unionist party, he was confident he had given more than the "accepted tariff." However, he found his claims in a period of political stability did not carry the weight they had carried 10 years before. Thus Salisbury was able to make fewer recommendations for hereditary awards at the time of the occasion of its predecessor, and Sir Horace was not among them.

He was not, of course, able to hold back the tide as regards the burgeoning number of honours, despite his repeated attempts to keep the list small and select: indeed towards the end of his premiership the honours became even more frequent. "New Year" and Birthday honours having been introduced to appease the desire of his followers for decorations and awards, it was not a change Salisbury at all liked. But like so many Conservative Prime Ministers in their time, he came to accept the inevitable.

Jeffrey L. Lant

# DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

## Ministry of Hydraulic Engineering, Land Development and the Environment

### Directorate of Hydraulic Engineering

# INTERNATIONAL INVITATION TO TENDER

International tenders are invited for the detailed preliminary planning work for the dam to be built on the Oued-Rhumel at Hammam-Groux (Commune of Oued-Athmania, Wilaya of Constantine).

Increased firms of consulting engineers may obtain tender specifications from

Direction des Projets et Réalisations  
Hydrauliques,  
Oasis-St. Charles  
B.P. 34-Birmandreil-Algiers.

Tenders should be deposited with or sent to the above address before 5 p.m. on 28th January, 1978.

Bidders will be bound by their tenders for a period of 120 days.

## MISCELLANEOUS FINANCIAL

## TENDERS FOR GREATER LONDON BILLS

The Greater London Council have invited tenders for the following bills: (1) Bill of Exchange (2) Bill of Lading (3) Bill of Sale (4) Bill of Exchange (5) Bill of Lading (6) Bill of Sale (7) Bill of Exchange (8) Bill of Lading (9) Bill of Sale (10) Bill of Exchange (11) Bill of Lading (12) Bill of Sale (13) Bill of Exchange (14) Bill of Lading (15) Bill of Sale (16) Bill of Exchange (17) Bill of Lading (18) Bill of Sale (19) Bill of Exchange (20) Bill of Lading (21) Bill of Sale (22) Bill of Exchange (23) Bill of Lading (24) Bill of Sale (25) Bill of Exchange (26) Bill of Lading (27) Bill of Sale (28) Bill of Exchange (29) Bill of Lading (30) Bill of Sale (31) Bill of Exchange (32) Bill of Lading (33) Bill of Sale (34) Bill of Exchange (35) Bill of Lading (36) Bill of Sale (37) Bill of Exchange (38) Bill of Lading (39) Bill of Sale (40) Bill of Exchange (41) Bill of Lading (42) Bill of Sale (43) Bill of Exchange (44) Bill of Lading (45) Bill of Sale (46) Bill of Exchange (47) Bill of 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Can commodity  
talks be  
nursed back to  
life? Page 19

## British team going to Poland for further talks on ships order

By Edward Townsend

A two-man delegation from British Shipbuilders will fly to Poland tomorrow for further discussions on the £115m Anglo-Polish ships deal. It will visit the state authorities that at least four of the 24 vessels ordered have yet to be assigned to United Kingdom yards.

British Shipbuilders does not, however, seem too concerned at this stage about the delay caused by the continuing dispute at Swan Hunter, the Tyne yard which was to have received seven of the orders, but where workers have been unable to give the required guarantee of industrial peace.

The two men to visit Poland are not members of the board of the nationalised shipbuilding company. One is a director, a post below board level, and the other a naval architect.

They will be concerned with ironing out details rather than negotiating with the Poles for more time to place the orders.

Mr Michael Casey, chief executive of British Shipbuilders, is in Hong Kong and is unlikely to cut short the visit, despite growing unease about his organization's ability to place all the orders on time.

A spokesman for British Shipbuilders said yesterday that with matters such as the Swan Hunter dispute, the visit is "not a time to be obviously be needed". But he did not see this as presenting a real problem.

"There are plenty of yards capable of taking these orders, although it is not ready for me to speculate on the visit," he said. "We obviously wanted these orders to go to Swan Hunter. They really needed the work badly. They have an excellent delivery record and are one of the best yards in the country."

Three of the seven ships which were to have gone to Swan Hunter have been reallocated. Two are to be built at Teeside by the Smith's Dock company and the third by Govan Shipbuilders, on the

Upper Clyde, which is already building 10 vessels for the Poles.

Govan ship stewards will meet today to discuss their attitude towards the Swan Hunter workers' call for the transferred ships to be "blacklisted".

Meanwhile, pressure is mounting on the Government to reveal more details of the Polish contract, the financial aspects and the make-up of the joint building company set up to handle the orders.

Mr Michael Grylls MP, vice-chairman of the Conservative Industry Committee, has written to Dr Edmund Marshall, chairman of the Trade and Industry Sub-committee of the Conservative Expenditure Committee, urging him to conduct an inquiry.

Mr Grylls said yesterday he had asked for a similar investigation by the Public Accounts Committee but Dr Marshall's committee was the only Parliamentary body able to study the deal before the ships were built and the £22m ministry from the Government's shipbuilding intervention fund was committed.

In an attempt to solve some of the shipbuilding industry's internal problems, Mr John Chalmers, general secretary of the boilermakers' union, yesterday proposed a common negotiating date for all unions in the industry.

"I am not saying it will be the panacea which will solve Swan Hunter's problems, but I think it will go quite a way to helping in the present situation," he said.

Mr Chalmers presented the plan in his role as chairman of the shipbuilding negotiating committee of the Confederation of the Shipbuilding and Engineering Unions. He hopes it will gain speedy acceptance from management and unions.

He was in touch with leaders of British Shipbuilders yesterday, and it will be put to members of the confederation when they meet in York on Wednesday.

## Brazil cuts export coffee price by third

From Peter Godfrey Rio de Janeiro, Dec 4

Brazil has lowered the official price of its coffee by over a third to redress a commercial position which Senator Camillo Calazans, president of the Brazilian Coffee Institute (IBC), admitted in an interview had become unrealistic.

The minimum export price of Brazilian coffee will be reduced from \$3.20 a pound to \$2.10 from Monday. The IBC also lowered its export tax from \$100 to \$120 for a 60-kilo bag.

Senator Calazans said: "Our existing official coffee price is not commercial, and is too high for our exporters."

But the IBC action will not necessarily reduce the retail price of Brazilian coffee abroad. "Incentives" paid recently to overseas purchasers of the country's produce—Senator Calazans said—were widely thought to have been at least as large as the \$1.10 reduction in price.

In that sense, the IBC has officially acknowledged an existing trading arrangement.

Senator Calazans defended the import of 600,000 sacks of coffee which Brazil is at present undertaking by saying that it should insure the country against the possibility of a poor coffee harvest next summer.

"Without additional reserves that would be disastrous," he said. "Our stocks have been very low since the frost of 1975, and last year Brazil consumed more coffee than it produced."

He said that the imported coffee would be reexported in the event of a plentiful crop. Meanwhile its storage would augment reserves enough to allow exporters to sell better quality Brazilian coffee abroad.

However, he conceded that there had also been a secondary element of speculation in Brazil's recent overseas coffee purchases. "I always want the price of coffee to go up. Who ever sells a product wants to sell it at the best possible price," he remarked wryly.

The IBC's new official price, which will become operative on shipments from January 1, recognizes that the world coffee market is not ready at present for such optimistic thoughts.

## Oil output points to small price rise

By Roger Vielvoxy Energy Correspondent

A growing belief in oil industry circles that crude oil prices will rise only marginally in the new year or may even remain frozen is reflected in a sharp decline in output from four key Middle Eastern producers during October.

In the three months before a January 1 price rise it is normal for oil companies and traders to begin stockpiling for resale at higher prices.

Petroleum Intelligence Weekly says that in the four states, Saudi Arabia, Kuwait, Iran and Abu Dhabi, production fell by 11.2 per cent from a year earlier compared with a 5 per cent increase in production in October 1976.

Aggregate output was down by 867,000 barrels a day to 17.34 million; only Abu Dhabi reported an increase of 17,100 barrels a day.

With Iran joining Saudi Arabia and Abu Dhabi in championing the cause of price moderation producer sources are now convinced that the Caracas meeting on December 20 will be able to reach agreement on a further freeze or a small increase without another public split in their ranks as happened last year in Qatar.

Most of the 13 members of the Organization of Petroleum Exporting Countries are anxious to see prices rise by substantial amounts more than 5 per cent. But under the presidency of Sheikh Abdul Aziz bin Khalifa al Thani, Qatar's oil minister, there has been considerable behind-the-scenes talking to ensure that the meeting in Venezuela produces a unanimous recommendation.

In London, an economic consulting group, Economic Models, says in a report that a 5 per cent rise in oil prices in 1978 would, after allowing for a 7 per cent average inflation rate in the industrialized world, mean a 2 per cent fall in real terms.

Prices are expected to remain steady in 1979 and from 1980 to start rising gradually in real terms.

In 1980 the group expects a significant upsurge in world economic activity while it will become apparent that politically acceptable production levels, particularly for Saudi Arabia, would have to be exceeded if oil demand is to continue growing.

Opec is expected to continue its existence as a cartel throughout the coming decade, the group adds.



Shaikh al Thani: efforts to achieve unanimity.

## A dream of paddling icebergs to the Saudis

Selling icebergs to Middle Eastern oil sheikhs sounds even more outrageous than selling London Bridge to a group of Americans. But London Bridge is now making money as a tourist attraction in the desert in Arizona and there is at least one rich Saudi with hopes of bringing home a few icebergs from the Antarctic.

Prince Mohammed al-Faisal, the nephew of King Khalid, is fully aware that there will be sceptical people around him to challenge his common sense. He knows that people are likely to suggest, for example, that his icebergs might melt by the time he gets them to the Equator and that he will be throwing his money into the sea. Prince al-Faisal is not allowing himself to be distracted by such observations.

In early October, at the "First International Conference on Iceberg Utilization" in Iowa, the Prince outlined at some length the ways he envisages moving icebergs across the world.

He suggested that they be equipped "with their own propulsion system in the form of paddle-wheels... their power supply will originate from power generation units located either on top of the iceberg, or provided from ships accompanying the iceberg."

The reason for all this interest is the belief that shipping icebergs could be a cheaper means of providing fresh water to arid countries than the use of water desalination plants.

It has been estimated that the cost of shipping a hundred-million-ton iceberg to Saudi Arabia would be \$80m.

The recent conference, which was sponsored by the Saudi prince, attracted some 200 scholars and the interest of the national science foundations and the United States Coast Guard. It interested also numerous entrepreneurs, although they now know that the risks after the bankruptcy of a French iceberg removal company in the summer.

However, even if moving icebergs is technologically and economically possible, and nobody really knows yet, there are other serious problems to consider.

Professor Steven Burton of the University of Iowa points out that there could be serious legal and political problems since several countries have made Antarctic claims and governments have not yet addressed the question of whether anyone can simply sail south, catch an Antarctic iceberg and carry it away.

Professor Burton, who teaches law and was a State Department legal expert, is interested in the Prince's project, but somewhat sceptical. So too are most people in Iowa, who were not impressed by the recent iceberg conference, although the Prince sought to dramatize by flying a two-ton iceberg to the state.

Towns have more than enough ice now; when it was there last week it was freezing.

Frank Vogl

## New export credits scheme soon

By Caroline Atkinson

An official announcement of a new scheme between the clearing banks and the Export Credits Guarantee Department (ECGD) for the financing of fixed-rate export credits in sterling is to be made before Christmas. A ministerial announcement, probably from the Department of Trade, is expected.

The new arrangements will take the place of the scheme which expired last autumn. The Government has been concerned to cut the cost to the public purse of the sterling buyer credits.

The cost arises in two ways. Under the old scheme the banks put up money for these loans only up to a limit of 22 per cent of their non-interest bearing deposits.

The ECGD—and therefore, finally, the taxpayer—refunded the rest.

This cost £505m in the year to March 1977, although, since the money is only on loan, it should of course be recouped in later years. The second expense to the Exchequer comes from an ECGD guarantee to the banks to make up any difference between the interest rates charged on the loans and market rates of interest. This

cost £220m in the past financial year.

The clearers are now expected to take on more of the new credits. They have been reluctant to increase the 22 per cent threshold because they do not want to have too much of their portfolio in ECGD deals.

They are, however, interested in a relaxation of the restriction on sterling trade financing which was introduced last December.

The Government on the other hand wants to maintain a distinction between the arrangements for ECGD fixed-rate sterling credits and the more general question of sterling financing.

## Inflation fall and rise forecast

By Our Economics Staff

Weekly inflation will fall to below last year's figure over the next six months, but will then begin to accelerate again, according to two private economic forecasts.

Both Phillips and Drew and Wood Mackenzie, stockbrokers, expect a year on year rate of inflation of 11 per cent by the end of 1978.

The forecasts, published this morning, disagree substantially on Britain's likely trade and payments performance next year.

Wood Mackenzie expects the balance of payments to move into deficit in the second half of the year with an overall current account surplus of only £800m in 1978.

This is well below the Treasury's latest published forecast of a £1,500m surplus, which is itself more pessimistic than most forecasts.

Wood Mackenzie expects world trade to grow by 5 per cent in volume next year—compared to a Treasury forecast of 7 per cent and one of 4 per cent from the Organisation for Economic Cooperation and Development. British exports will be hit by a loss of competitiveness, believe the stockbrokers.

Consumer spending is expected to be the main source of growth in the economy next year by both of today's forecasts, although Wood Mackenzie expects growth to be about 3 per cent and Phillips and Drew 2½ per cent.

Real incomes will rise strongly as earnings increase and price rises slow down. They are expected to reach a stable level by the end of the year, offset to a small extent by a rise in indirect taxes.

Phillips and Drew has assumed an average earnings rise of 17½ per cent over the year, while Wood Mackenzie expects 15 per cent earnings and a slight depreciation by end 1978.

In its company forecasts Phillips and Drew looks for a 10 per cent rise in industrial profit in 1978 with the second half better than the first half.

Phillips and Drew Economic forecasts December 1977. © Wood Mackenzie. The Economic Outlook for 1978.

## More civil servants for industry

By Malcolm Brown

A sharp increase is planned in the number of civil servants seconded to industry. This will be announced on Wednesday when Mr Healey, the Chancellor, Erchinger, and Mr Varley, the Secretary of State for Industry, lay a joint paper on the wider implications of the industrial strategy before the monthly meeting of the National Economic Development Council.

which examines how a wide range of government policies on such matters as education bear on industrial performance, says that there is not enough mutual understanding between industry and Whitehall.

This leads to a failure by the Civil Service to give enough weight to industry's interests when drawing up policies.

One way to improve this, the report suggests, is to have greater interchange between Whitehall and industry.

The Healey-Varley paper makes it clear that the Government would also like to see more mobility in the other

direction; but the two ministers point out that this is a much more difficult problem.

Employees leaving industry on secondment may find that they are jeopardizing their careers by being away from active industrial life for an extended period.

Another problem which the paper examines is the absorption of qualified manpower by the public sector. But it makes it clear that the extent of this pre-emption is difficult to assess and that a detailed investigation of the problem is necessary.

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## Hongkong angry over 'unjust' textile pact

From Richard Hughes Hongkong, Dec 4

Hongkong is rallying characteristically to angrily to the heavy reduction in textile export quotas imposed by the European Economic Community yesterday.

Textile producers and government authorities are especially bitter over Britain's failure to exercise pressure to minimise the EEC quotas in the European Economic Community's textile exports will be allowed to increase by only 0.7 per cent on 1976 levels and growth rates are fixed for the next five years.

Dennis Roberts, the acting Governor, said: "The injustice of the EEC policy is manifest."

The purpose of these curbs—which will deprive more than 10,000 Hongkong textile workers of their jobs—is to reduce the total amount of cotton cloth exports to all nine members of the EEC next year to less than Hongkong's shipments to Britain alone in 1976.

But since it takes time to create manufacturing capacity and to build up trade, the Community's planned redistribution of trade among the developing countries and territories is unlikely to work.

The Commission has now reached agreements of figures with 18 countries, but

access to the Community's market will remain completely unregulated.

Hongkong's international trade relations are governed by the General Agreement on Tariffs and Trade and the Multi-Fibre Agreement. Neither of these instruments provides any sanction for this Community policy.

Hongkong's Chamber of Commerce called for cooperation to "make the best of a bad job" and the South China Morning Post urged "hard work, not self-pity".

Talks with 30 countries: The agreement initiated yesterday marks a major step in the talks the European Commission has been conducting with more than 30 East European and developing countries, whose cheap exports have posed a threat to the EEC's own textile industry (Reuters report).

When talks began in October, the EEC demanded an overall cutback from Hongkong of about 9 per cent, or 13,000 tonnes from the 1976 level of 151,000 tonnes.

The final compromise means reductions in the four most sensitive categories, but compensating increases in quotas for non-sensitive items.

Sources said reductions had been agreed in the EEC quotas for cotton fabrics, woven trousers and jeans, knitted undershirts and woven shirts. The Commission has now reached agreements of figures with 18 countries, but

## Japan takes step nearer to tariff cuts

From Peter Hazelhurst Tokyo, Dec 4

Bowing before the growing threats of international protectionism, the Japanese Government took a tentative decision yesterday to cut tariffs on a wide range of imports, including cars, computers, industrial machinery and food products, from April next year.

Although the final details of a plan to reduce Japan's huge surplus and placate her trading partners will be examined by the Cabinet on Tuesday, government officials claimed that the proposed cuts would be applied to between 40 and 50 items.

But the Government has apparently already decided in principle to reduce tariffs on manufactured products by a uniform 20 per cent while duty on processed foods—a controversial political issue—could drop by 10 per cent, a Finance Ministry official claimed.

At the same time government officials said that in spite of differences over the final draft of the plan, Japan would definitely take a unilateral decision to reduce tariffs on a still unspecified list of imports, before the current round of the General Agreement on Tariffs and Trade negotiations ends next year.

In principle the Government hopes to reduce tariffs on car imports from the existing duty of 6.4 per cent to 3 per cent. Duties on computers are expected to decrease from 13 to 10 per cent.

## Farm machinery exports and imports both soaring

By H. Sh Clayton

Although the value of British agricultural machinery exports last year has already passed the total for the whole of 1976, ports have climbed even higher. The industry's latest export balance was announced yesterday at a preview of the year's performance at the Royal Agricultural Show in London.

Mr Robert Aitken, president of the Agricultural Engineers' Association, reported that sales abroad in the first 10 months of this year were worth £772m, compared with £769m for the whole of 1976. The 1977 total represented a rise of 24 per cent over the January-October figure for 1976.

The value of imports, however, rose by 23 per cent from £191m in the first 10 months of 1976 to £236m in the same

months of 1977.

Mr Aitken said that the trade balance was still very favourable. "The industry earned nearly £3 in foreign currency for every £1 spent on buying foreign machinery. Sales to the EEC totalled £224m in the first nine months, an increase of 45 per cent on the comparable period of last year."

The figures show the impact of tractor companies from abroad who always exhibit in strength at Smithfield and who in recent years have been joined by suppliers from Soviet block countries.

Imported tractors in the first 10 months of this year were worth 65 per cent more than in the corresponding months of 1976. But at £60m they were still worth much less than British exports of £376m.

## Move to avert sales war after tobacco tax changes

By Patricia Tisdall

Efforts are being made by the big established tobacco companies to avert another price battle after the introduction of the final stage of the EEC tax structure for the industry in January. By eliminating the traditional excise duty based on the weight of tobacco, the new tax arrangement will narrow the price difference between large and small cigarette makers.

In theory the new structure should mean a reduction of about 5p on a packet of king size cigarettes and an equivalent increase on the smaller varieties.

But rather than see the price difference fall from a figure of about 12p to about 1p, the manufacturers would prefer to weight margins on to the growing king size sector.

Cellaher, whose Benson & Hedges, Special Filter brand has the biggest share of king size sales, said at the weekend that it had obtained confirmation from the Price Commission to leave prices as they are.

The company says it has absorbed tax and other increases of up to 6p a packet on king size varieties for the past 18 months and that no further reduction is possible.

Since the industry is understood to have been submitted to the Price Commission by Carreras Rothmans and Imperial Tobacco, the other two large manufacturers.

By not opting for lower recommended prices, the manufacturers are allowing themselves considerable scope for offering short term discounts.

control are supporting measures which will hold back the development of the working class in its advance towards a socialist Britain."

The contrary point of view is put by Mr Peter Heathfield, secretary of the Derbyshire area, who says combining is ready for experimentation in industrial democracy.

"Many of us feel that miners have the ability and capacity to play a major role in the running of our industry. It is not our intention to prop up capitalism, but rather to formulate and fashion new systems of management that will enable the socialist cause to advance."

The Harrogate conference of the NUM is the first gathering of industrial first unionists specifically addressed towards the problems of industrial democracy.

The NUM is officially committed to seeking a greater say in the running of their industry, but some of their ambitions are being seriously contested by the colliery managers.

## Profit target of 15-20 pc for NEB 'meaningless'

The National Enterprise Board's newly-disclosed duty to aim for a 15-20 per cent return on its investments was yesterday by Mr Michael Grylls, vice chairman of the Conservative Industry Committee.

Achievement of this target by 1981 has been urged, but the board's holdings in British Leyland or Rolls-Royce.

Mr Grylls wrote to Mr Leslie Murphy, chairman of the NEB at the weekend, asking if he intended to reach the target and when he was going to announce those for Leyland and Rolls-Royce.

"These two account for about 80 per cent of the NEB, and the target rate of return now set covers only the odds and ends of the set up," he said. "It is meaningless in terms of the performance of the whole of the NEB."

With British Leyland's review of its future strategy expected soon, now was a good moment, Mr Grylls said, to say when the board would set an overall rate

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## Lending rate 7 pc

The Bank of England's minimum lending rate is unchanged at 7 per cent. The following are the results of Friday's Treasury Bill Tender:

Applications £37m Accepted £500m  
Bid Price 6.95% Bid Price 7%  
Average Rate 6.95% Average Rate 7%  
Next Friday £500m Replace £500m

## Scargill attack on idea of worker directors

By Paul Routledge

Mr Arthur Scargill, left-wing leader of the Yorkshire miners, today makes a strong political attack on "collaborationist" proposals for industrial democracy in state-owned firms.

Outstanding called for collaboration with capitalism, but not a change of society," he says.

In an article in *The Miner*, journal of the National Union of Mineworkers, he argues that the majority Bullock recommendation for worker participation on boards of management would compromise the trade unions.

His comments come on the eve of a special NUM conference in Harrogate called to discuss the establishment of managing committees and co-ordinating bodies.

Mr Scargill writes: "The National Coal Board, I have no doubt, would be prepared to work with representatives of the National Coal Board."

facing decisions which had been taken not only by the National Coal Board, but with the agreement of NUM representatives. It would be on such occasions, a decision which was in conflict with union policy.

"The people who accepted seats on the boards of management would be regarded with deep suspicion by members of the union, and the workers would be constantly faced with the problem of having to examine decisions which had been taken by the National Coal Board, part of which consisted of their own union representatives."

The Yorkshire miners president states: "It is impossible to have workers' control within a capitalist society. Capitalism, by its very nature, produces contradictions which cannot be resolved until and unless we change the system of society. We have to change the system, otherwise workers' control cannot be obtained."

"The unions could only have class collaboration and com-

promise with the mixed economy, and those who advanced the theory of workers' control, in present-day society were putting forward an idealistic, Utopian dream, idealistic, unworkable and unobtainable."

"I submit that we do not need workers' participation to play our part as a trade union inside the National Coal Board or any other industry in Britain."

"Provided the trade union is prepared to exercise its strength, we can convince management to change its views or, at the very least, modify them in many fields."

"What was required in 1972, and what was eventually decided, was a political decision and not simply an economic decision. There is no reason why the unions should not extend their traditional role in collective bargaining to the area of planning and investment without becoming part of the management process."

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## MANAGEMENT

Edited by Rodney Cowton

## LETTERS TO THE EDITOR

# Learning how to do business with the Chinese

With yesterday's end to the British visit of China's top-level trade delegation led by Mr Li Chiang, Peking's Foreign Trade Minister, one message is loud and clear. Sino-British trade is pressing for attention.

But there are some important questions to be answered first. Which sections of British business are most likely to benefit? What are the opportunities for the smaller manufacturers outside the big league circle of British Steel, British Railways, British Aerospace and the chemical giants?

Further, while the buying of large plants or technology can be dealt with by the exchange of technical missions, how should these smaller businesses tackle exports to China?

The obvious point to make about the People's Republic of China is the textbook fact that it is the third largest country in the world and the most populous at rather more than 800 million people. While its size points to obvious opportunities in transport equipment, not to mention construction gear, it would be dangerous to extrapolate too much from the population figures.

Experienced China watchers have welcomed the flow of interest in China stimulated by recent United Kingdom missions to the country and now by Mr

Li's tour—soon to be followed, incidentally, by further industrial specialist missions from China. But businessmen are warned against reacting to the thought of a mass-market of potential consumers.

As one observer commented: "It's no good if a businessman already has some export to the Pacific basin, just thinking that here's another outlet for consumer goods. The Chinese are not interested. What they need they produce for themselves. The only possibility is if there was an unusual shortage of a particular class of goods."

The consensus of opinion is that the Chinese have a wide capability in all the industrial sectors and high degrees of worker skills. Their main aim is self-sufficiency. But they want the technology associated with a specific plant or product.

Pioneering specific needs in China is the name of the game. And what help is available to crack down these needs? Much detail on marketing possibilities can be obtained from the Department of Trade. The Sino-British Trade Council in London also maintains a series of market research reports, including sector studies.

Generally speaking it is the chief technologies—transport, power generation, oil and its related activities, chemicals, electronics, mining, construction equipment and the like—



Peking trade delegation leader Mr Li Chiang (right), the Chinese Minister of Foreign Trade, with Mr Sung Chih-Kuang, China's ambassador in London, and Lord Oram of the Department of Trade at the start of the mission's visit last week.

which offer the principal opportunities.

Medium-sized and smaller British companies could be incorporated in specialized scientific instruments, non-electric and electrical machinery, synthetic organic dyestuffs, and synthetic fibre areas.

All these product areas figure prominently in British exports to China in the first nine months of this year. Food processing equipment and packaging are also listed.

Last week Mr Li made it clear, too, that his country wanted to import large quantities of coal mining machinery. British mining equipment is already in use in China.

In their trade deals the Chinese insist on fixed price contracts with no escalation clauses. Given the new insurance cover by the Export Credits Guarantee Department for companies working on such contracts, and Britain's falling inflation rate, exports to China

are proving an increasingly attractive proposition.

For most would-be exporters to China the first approach has to be to one of the various state corporations—there are nearly twenty—which look after the various industrial and commercial sectors. These range from the China National Technical Import Corporation, which looks after complete plants, to those catering for light industrial products, publications and films.

The main advice is to send the appropriate corporation a full technical description of the goods, and their technology—in English. If it fits an immediate and special need there might be an early order, at which point the commercial section of the Chinese Embassy in London would probably come into the picture because they are on the spot.

Only important contracts are likely to involve an exchange of technical advisers between

the countries and a visit to China would be by invitation.

But the process, judging by past experience, could equally take several years. As in many overseas countries, China has proved a market where persistence pays.

The majority of business is done on a normal letter of credit basis.

There is one way of cementing more personal relations in China and by which many British businessmen have set great store. This is by attending the Spring and Autumn fairs at Kwangchow—the former Canton Fair—which is a shop window for Chinese goods. All the main Chinese corporations are represented at the fair.

Early visits to China for these fairs are easier to obtain than other entry permits. And once at the shows a businessman with export as well as import interests could well find his hands full.

Derek Harris

## Thoughts of the chief executive

The chief executive is the keystone of a company. Not only is he at the apex of the structure, with his weight bringing (it is hoped) stability and solidity, but he is also in the position through which the greatest range of pressures and changes of circumstance are felt.

There has probably never been a time since the Industrial Revolution when the business environment has thrown up so many questions and provided so few answers, and it is the chief executive who above all has to cope with these uncertainties.

It was, therefore, a good idea on the part of Mr C. Graeme Roe to collect in one book the views of 20 eminent chief executives about their job, how it is changing and what qualities it requires of them. It is probably the nearest single way of seeing the pulse of industry and commerce.

There is a good measure of agreement among chief executives about the factors that are changing their role. There are

John Huxley

## Mounting the attack on a £45m building

As the tallest solid structure in Britain, the National Westminster tower in the City of London has inevitably caught the public eye. Not far away in Leman Street, Whitechapel, though, another of the bank's developments—a £45m management services centre—is taking shape generally unremarked.

The centre, built to house clearing and data processing operations, may not be a record breaker in terms of size, but in speed of construction it is unusual. Indeed, Mr Edwin Phillips, chairman of Higgs and Hill, the contractors, says that it is one of the fastest growing projects under construction in the United Kingdom.

Since building began almost two years ago, turnover has been approaching £2m a month and in one fortnightly valuation period £1.8m of work was done. Some 500,000 sq ft were topped out this summer, after four million bricks, 170 miles of scaffolding and 66,000 cubic yards of concrete had been used.

NatWest is confidently expected to be able to start installing computers as planned in January, and the centre is expected to be fully operational on schedule in July.

Not an hour has been lost through labour stoppages on the site, where 800 people—besides Higgs and Hill's 60 staff—are at work, against a peak of 1,100 last year.

No labour has been engaged "on site" and there is a full-time labour relations officer. But Mr Brian Hill, managing director, explained that site harmony has been achieved by ensuring as far as possible nothing should be allowed to affect the men's ability to get on with their jobs.

"Delays mean that people are unable to earn their money and, frequently, that's when the trouble starts."

For Higgs and Hill the Leman Street contract is, by value, the biggest ever, and one of the most technically complicated. It has, for instance, been provided with five generators and 13 substations which make it more than self-

sufficient in electricity. Altogether, mechanical services costing about £18m will be incorporated in the centre. Specialist subcontractors and suppliers—British, continental and American—number about 120.

"Network analysis" techniques were used to find the most efficient scheduling of different phases and the programmes drawn up in 1975 have been substantially adhered to. Tasks were scheduled according to two-week cycle targets and Saturdays were set aside to meet slippages.

One of the earliest decisions was to divide the site in two. The operations block and the ancillary block, which comprise the centre, have been treated largely as separate projects with their own management structures and store colour codes. Borrowing either men or materials was discouraged.

The rivalry which developed led to the dividing line between the two sectors being called the Iron Curtain after Ken Ellis, the construction

manager, said. Simple procedures have been adopted to relay information up and down the line of command quickly and to ensure that men have not been delayed—and thus frustrated—for want of instructions. All those in supervisory roles, for instance, have two note pads, one for issuing instructions, the other for seeking decisions.

In an industry where "getting it in writing" is important, but often time-consuming, the system acts as an early warning of potential problems and a fast way of achieving design alterations and decisions.

Strenuous efforts were also made to ensure that work would not be delayed for want of materials. Suppliers and subcontractors were asked to have materials on site eight weeks before the programme indicated they would be needed. Stocks were stored in large underground vaults, a welcome legacy of the goods yards which once occupied the site.

## INTERIM RESULTS

# Racal half-year profits rise 68% to £19,398,000

ANNUAL PROFIT BEFORE TAX	
1974	£ 6,247,000
1975	£ 9,559,000
1976	£19,646,000
1977	£32,714,000
1978	IN EXCESS OF £45,000,000

The Directors of Racal Electronics Limited are pleased to announce that the unaudited pre-tax net profit for the half-year ended 30th September 1977 amounted to £19,398,000 (1976 £11,524,000).

In the absence of unforeseen circumstances, the profit before tax for the year ending 31st March 1978 will be in excess of £45,000,000.

Eight Queen's Awards in Eight Years



Racal Electronics Limited, Western Road, Bracknell, Berkshire RG12 1RG, England

## Furniture sales trends

New light on the pattern of domestic furniture industry sales comes from a new planning guide, produced by the Furniture Industry Research Association (FIRA).

One analysis demonstrates the steadily growing importance of multiple furnisher. In 1976, it is estimated, they accounted for 40 per cent of total sales amounting to £239.6m. In 1971 multiples, which are defined as organizations with 10 or more branches, accounted for only 36 per cent of total business.

The multiples, largely aiming at the mass market with relatively cheaper merchandise, make 62 per cent of their sales on a credit basis compared with the 38 per cent of independent stores, the majority of which are single store traders.

Co-op outlets accounted for about 6 per cent of total furnishing sales in 1976 with sales of £10.5m, or 4.5 per cent of total industry sales. Among department stores other than Co-ops, around 85 per cent sell furniture; their emphasis is on quality with a large proportion made up of nationally branded goods.

**DH**  
Sales Planning Guide for the Domestic Furniture Industry, the Furniture Industry Research Association, Maxwell Road, Stevenage, Hertfordshire (ES20 to non-members of FIRA, £25 to members).

## Seeking a better balance in EEC textile market

From Mr C. M. D. Roberts

Sir, We are grateful to the Bishop of Hongkong and the Macao for bringing to our notice the points made in the open letter (November 29) to governments and churches in Europe about the EEC's position in the bilateral negotiations under the Gatt Multi-Fibre Arrangement (MFA).

May I bring to his notice some points not made in his letter:

(a) Macao has now reached agreement with the EEC on terms which will greatly benefit traders in Macao.

(b) The 1976/77 all imports of clothing from developing countries into the United Kingdom 63 per cent came from Hongkong.

(c) Between them, Hongkong, South Korea and Taiwan accounted for 80 per cent of the United Kingdom's clothing imports from developing countries—leaving only 20 per cent for the multitude of other emergent nations, most of them at a much lower stage of development than Hongkong.

(d) EEC imports of textiles have grown by 80 per cent by weight between 1973 and 1976—that is more than 15 per cent per annum during a time of declining demand in 1975/76.

(e) The EEC sends nearly six times more of its national "income per head" on imports of textiles than does the United States and over double that of the USSR.

The will to continue to assist in the development of the Third World is unabated in

Europe but we cannot do this alone. Unless there is a slowing down in the high rate of penetration into the EEC by imports from the developing countries that has occurred unabated during the present MFA (far in excess of what was intended) the textile industries in Europe could be eliminated. This would only result in a reduction in the worldwide creation of wealth to the detriment of everyone, including the developing countries.

What the EEC is seeking is a balance of opportunities for all and in an effort to achieve this it is not unreasonable to ask the major exporters (of which Hongkong is the largest) who have enjoyed unprecedented growth during the past four years to move over and allow the poorer, less developed nations "a share of the cake". A cake that will have a guaranteed annual increase which in times of depressed demand the EEC can only result in increasing unemployment in the textile and clothing industries in its member countries.

With respect my Lord Bishop, charity must now begin at home—we honestly believe that we have set a splendid example over here.

Yours faithfully,

C. M. D. ROBERTS,  
Chairman,  
Wool Textile Delegation,  
Lloyds Bank Chambers,  
Huskergate,  
Bradford BD1 1PE,  
Yorkshire,  
December 1.

## Solving British Steel's problems

From Mr D. J. Falvey

Sir, Most people would probably accept the general drift of your leading article about the steel industry (November 22). You are right to stress that if the present world steel crisis deepened, the BSC would still have to deal with obsolete plants and over-manning.

I take issue with you, however, when you conclude that Britain should perhaps, relinquish her steel-making altogether. This is surely a remarkably wrong-headed and defeatist.

Britain is well placed to be a bulk steel producer apart from her long tradition of being an island, she can import high-grade ore and has good reserves of coking coal. She is also favourably placed to export, Japan, also an island, is not so well favoured but has brilliantly overcome the huge disabilities of no coking coal or iron ore and the immense distances these have to be shipped.

Britain is the world's most efficient bulk steel producer. The reasons British steel is languishing (apart from the present world crisis) are to be found in Britain's lack of a particular strategy and organization) and capital stringency.

The consequences of adopting your advice would be to accelerate the de-industrialization of Britain to harm payments and to increase redundancy well beyond the 50,000 people you mention. If the unions and the Government

are understandably, but mistakenly, unwilling to face the smaller problem, why do you assume they would accept the larger?

If one is to examine the problem positively and objectively, the first requirement is for the Government to remove obsolete plants entirely from BSC's responsibility and to reduce progressively their level of steel-making. The heavy social charges involved must be met by the Government in recognition of the fact that these plants are in any case disguised dole queues.

At the same time the Government should direct BSC to re-think their long-term strategy. In particular, the case for large integrated developments against the background of very high and rising capital costs and break-even levels which are unlikely to be achieved over a cycle of fluctuating activity and, perhaps, not even in peak years.

I conclude by repeating that our problems are human, rather than physical. A nation that had the imagination, drive and brains to overcome the lack of invasion ports by taking them with them can surely solve the very severe, but smaller, problems of the steel industry or for that matter our industrial problems generally.

Yours faithfully,  
D. J. FALVEY,  
Hampton Manor,  
Evesham,  
Worcestershire.

## Diesel-powered cars in the UK

From Mr R. W. Gormley

Sir, Automotive type diesel engine production is yet another field where the United Kingdom was until recently world leader. We are now third in terms of the number of engines produced each year, and our slide further down the list will be accelerated because along with major manufacturing nations we are not producing or planning to produce a car with a British diesel engine.

Dr Barker's letter (24 November) therefore has a germ of truth in it, although I disagree with his emphasis on fuel prices and taxation levels because those factors have little effect. A comparison of diesel car penetration and diesel/petrol price differentials shows, for example, that in West Germany where diesel has been about the same price as petrol for some years (in October 1977 diesel in Germany was 98 pence per gallon and petrol 99p) diesel car penetration was a percentage of new registrations has been about 4.5 per cent. Compare Italy where diesel car penetration has been about 2.5 per cent or less although comparable prices are diesel 45p and petrol 151p.

Largely because of lack of availability, the United Kingdom has the lowest recordable European diesel car penetration—about 0.3 per cent. It seems to me natural law that United Kingdom penetration will rise close to the levels obtaining in other EEC countries, typically about 3.5 per cent, just as soon as our friends in Germany, Italy and France (to say nothing of the Japanese) choose to make diesel cars available to the British. The percentages are small, but represent a hell of a lot of imported cars and balance of payments loss. I should therefore argue against Dr Barker's request to lower tax on diesel which could only increase our losses. It is frustrating and pointless to do so however. The advantages of modern diesel cars are sustained for a small but clearly defined segment of the private car buying market irrespective of tinkering with taxation to provide 10 or 15 per cent differential between diesel fuel and petrol prices. The advantages are longevity, reliability and about 25 per cent fuel efficiency increment. That increment (which has nothing to do with pump prices) would mean, as Dr Barker seems in danger of pointing out, a better

use of the nation's energy resources.

No, we do not need an argument about who was clever enough to notice a few pence difference in pump prices in favour of diesel, which is now, as it has been since the 1960s, the Liberal Party, in favour of petrol. We need two things.

First, clear statements by government to allow policy making and planning by the United Kingdom diesel engine industry, including a statement on fuel taxation. That statement should be long-term—at least five years—and is too crucial to be subject to the vagaries of party politics or Liberal revivals. Second, we need a British manufacturer to base investment on, amongst other things, sure government statements or rapidly better forward plans for a British diesel car.

You never know, it may also not be too late to miss out on all of the enormous export opportunity for diesel cars.

Sincerely,  
RICHARD GORMLEY,  
London, SE6,  
November 24.

## Shortage of commercial court judges

From Mr D. Waller

Sir, Some time last year your columns highlighted the shortage of judges to try the ever increasing backlog of cases. The situation is now striking, curiously enough, our balance of payments. I refer to the pile-up of untried fixtures in the commercial court list.

As you are aware, international commerce much favours our commercial judges for speed and competence. In turn the number of foreign companies who pay to have their litigation tried in this country contribute a great deal of foreign currency in the form of costs, hotel bills and the like, running into millions per year. We now have the spectacle of Her Majesty's judges of the commercial court being sent off to the Old Bailey, whilst long standing fixtures involving millions of pounds are left high and dry. No wonder foreign litigants are beginning to wonder if their choice of venue is the correct one after all.

Beeching's recommendations and the cutting back of High Court judges are in direct contrast. Any competent recorder appointed deputy High Court judge could try the more serious criminal cases, leaving the properly qualified specialist judges to try the complicated cases they were appointed to do.

In a recent application for a stand-over fixture to be re-fixed, Mr Justice Donaldson said that next term he has already 296 working days of fixtures to deal with, but only 184 judge days to try them. This is without taking into account any cases spilling over into next term, unfinished, and present fixtures as yet untried. The summer term shows 393 trial days to 280 judge days.

This situation is rife in every civil division of the High Court, be it London or the provinces. Has the higher echelon of the legal executive completely lost its way?

Yours faithfully,

D. WALLER,  
1 Brick Court,  
Temple, EC4,  
November 23.

## Rating derelict land

From Mr R. C. Grinham

Sir, Professor Michael Chisholm (November 24) has hit the nail on the head when he suggests that the reason why large areas of potentially usable land remain derelict has something to do with the fact that such land is currently exempt from rates. In those cities of the world where land is rated, whether developed or not, the tendency is for land to be developed, and idle land on the scale to be found in Britain is well known.

Nothing would more quickly result in idle land being put to productive use than the introduction or even the announcement of the introduction of a rate on idle sites.

Apart from the aesthetic and environmental benefits, such a measure would go a long way to alleviating the present shortage of houses by stimulating building on the thousands of acres of land on which outline planning permission has been obtained for housing but which still remain undeveloped.

Yours faithfully,  
R. C. GRINHAM,  
Secretary,  
Rating Reform Campaign,  
177 Vauxhall Bridge Road,  
London, SW1,  
November 25.

## Sickness and self-employed

From the Secretary, Brent Chamber of Commerce

Sir, Mr Ryan's letter (November 25) repeats the fallacy that the self-employed are not eligible for sickness benefit.

Unfortunately this misconception is shared by many who, accordingly, fail to claim their just rights, and one would ask the Ministry of Social Security to give wider publicity to the fact that the self-employed are entitled to claim sickness benefit.

Yours faithfully,  
BERTRAM S. ASH,  
18a, Craven Park Road,  
Harrowden,  
London NW10 4AB.

## SPOONER INDUSTRIES LIMITED

### SUMMARY OF RESULTS

	1977	1976
Turnover	£ 10,101,000	£ 9,427,000
Profit before taxation*	825,432	489,284
Earnings per share*	9.53p	5.58p
Dividends per share	2.641p	2.365p
*Before exchange losses (1976: profits)		

1976/77 was a successful year's trading resulting in the highest profits in the history of the Company. The Board is confident of a further increase in profits in 1977/78.

The Dividend recommended for 1976/77 is the maximum permissible but the Board intends to recommend a substantially greater dividend when legislation permits.

Annual General Meeting will be held at likley on 3rd February, 1978.

BY THE FINANCIAL EDITOR

## Signs of action on nationalization cash

A little-publicized answer to a question in the House of Lords on November 17, the Government indicated that it will make an interim compensation payment in January to companies whose shipbuilding or airframe interests have been nationalized. Further interim payments could be made, if necessary.

This payment, of course, will be without prejudice to the eventual outcome either of negotiations between the Government's counterparts, Whinney Murray, and shareholders' representatives who have been appointed by the companies, or of the arbitration procedure which will be brought into operation if negotiations fail.

So, apart from getting useful payments in account, the companies involved should also get a fair idea of the minimum total they will receive. The snag, though, is that shareholders may remain in the dark for some time to come.

For although the companies will know the basis on which the payments are being made, they and the Government will want to keep all details secret until negotiations are concluded.

The January payments are in fact expected to be around three-quarters of the Whinney Murray valuation but there is really no clue as to what this will be yet. Their reception by the market will depend on how they measure up to outside estimates of total compensation which have been made using the arbitration formula. This treats the companies as if they had been quoted prior to the announcement of the Government's nationalization plans.

And it is still far from clear what many of the groups are going to do with the money when they get it.

Hawker Siddeley has already received around £50m from the repayment of loans and is now, if anything, slightly under-secured. Certainly the company itself would be happy to have a ratio of 2:1 of capital employed to loans, which gives it getting on for £200m to spend on acquisitions, if it should want to. With these funds available whether it gets another £20m or £60m from compensation will not radically alter the group's strategy, though the right kind of acquisitions are clearly difficult to find at the right price, a fact that Laird Group, for example, which must expect around £10m or both its airframe and shipbuilding interests, has had to recognize with the failure of its offer for Charrington.

GEC, which, of course, has plenty of cash anyway, is really too large to be radically affected by its share of compensation from BAC. Vickers will suffer more by losing its share of BAC earnings and its already spent considerable resources prior to nationalization in an attempt to build up other activities. Whether Vickers gets £40m or £100m, then, will clearly affect its strategy from now on—and its share price.

An intriguing possibility is still presented by Vespene, which is controlled by David Brown. It has built up a 21 per cent stake since the announcement of nationalization in a fellow warship maker, Yarrow.

With the major payments being made to all companies in January—probably in dollar form to the 93 per cent Treasury stock issued for the quoted stocks of Robb Caledon and John Kield in June—there is urgency for companies to say what they are going to do with the compensation is growing.

For the Government will clearly want to set its negotiations dead up before the election. Since arbitration would slow the whole process down, there could be reason to hope for compensation terms which are rather more generous than many people had come to expect.

### Diesels

#### Two British component makers

So far there has been little excitement in British Automotive diesel engine production mainly because of the sluggish truck and tractor markets and the reduction of the incentive to buy car diesels for fuel economy due to the slightly higher price of the fuel relative to petrol.

Even so the attractions of increased mpg for the high mileage business car user are prompting Ford to introduce a diesel Granada next year while British Leyland, though penetration into the volume end of the market must be a long way off.

So the real prospects are abroad and the British beneficiaries are likely to be the diesel component makers.

In their analysis of the motor industry Phillips & Drew point first to Europe where fuel price differentials have helped diesel car sales, almost all from Peugeot and Mercedes, from 200,000 in 1973 to 330,000 in 1976. Lucas Industries have said this figure should reach 500,000 this year boosted by the introduction of a diesel version of the Volkswagen Golf which uses Lucas diesel injection.

With more models in the pipeline diesel car sales in Europe could be heading for 1 million, 10 per cent of the market, by 1982.

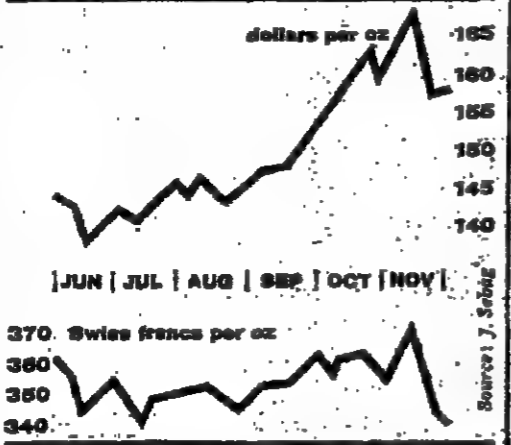
And in the United States the Government insistence of greater fuel economy in manufacturers' fleets added to a relaxation of the nitric oxide emission regulations could mean diesel penetration of the car market of up to 25 per cent by 1985.

Both Lucas and Associated Engineering have seen the possibilities and are spending heavily. With Bosch, Lucas is the world leader in diesel injectors and has every chance of carving a large slice of the United States market for itself.

Lucas, says, moreover, that the number of customers specifying diesel for industrial equipment has increased from 25 per cent to 40 per cent over the last three years. So the diesel has become a major growth factor for the group, with the 25-30 per cent of sales now taken by diesel equipment expected to grow substantially.

As has about the same level of involvement but must face stiff competition with its bearings and pistons even though it is clearly linked to a market with high potential. For investors seeking to participate, Lucas, which seems set to make profits of £82m in 1977/78 looks a good opportunity. With the shares at 269p the p/e ratio is 6.1 and the yield is 5.1 per cent on a dividend covered nearly 5 times.

#### GOLD AND THE DOLLAR



● A sharp fall to \$158½ an ounce in the gold price in the past couple of weeks has dashed hopes of a bullion passing through \$180 this year and has even made \$170, which was being so confidently forecast only a short while ago, look doubtful.

What gold followers have tended to forget is how much the dollar has suffered and, thus, to a certain extent, the price rise has been artificial as was the rise of copper, for example, during the sterling crisis. Since the beginning of last year, gold in dollar terms has risen by about 15 per cent but has remained level-pegging when expressed in Swiss francs.

And if the rise since August 1976, has been enough, the 34 per cent increase in Swiss franc terms should be compared to the 52 per cent dollar gain. And, as the chart shows, gold has actually fallen in Swiss francs, while rising in dollar terms since the beginning of June.

That said, the burgeoning US gold futures market has had a significant impact on the course of bullion. Other outlets for American investment funds, such as Wall Street and the hard commodity markets have, of course, been relatively unattractive.

The recent slide, perhaps, illustrates the effect of futures. As the price moved down, other positions were closed as speculators failed to increase their margins, thus magnifying the drop and setting up a self-feeding downturn. As the price retreated, the professionals holding physical gold also got out so they could move in again at lower prices, setting up erratic movements in the market price.

Wednesday's IMF auction, then, is seen as being one of the more important for some time. Since the last auction there has been some loss of confidence in gold—the price is currently below the last auction price of \$161.86 an ounce. A good response could go far towards restoring confidence.

As every schoolboy knows, a local authority defaulted on a loan recently—that is West Ham in the 1920s. No one can remember the last time that the British Government defaulted, for the perfectly good reason that it never has.

It is possible that the international investment community, despite this long record, thinks that some European-based borrower, like the European Coal and Steel Community, has a better credit rating than the British Government, though it is not immediately obvious why.

It is, however, not clear why a wholly domestic private sector institution, like Finance for Industry or Finance for Commerce can raise money via the Euro-sterling market more cheaply than the Government.

One should, of course, be happy for the companies that they have been able to arrange cheap, internationally-subscribed issues in sterling. Let us

hope that it is a welcome sign that the longer-term fixed-interest debt market for British companies may be restored to its past glory.

Looked at from the point of view of the lender, however, it cannot be logical that someone who has decided, for whatever personal reasons, to invest in fixed interest in sterling should put money into a private sector company for less return than is freely available even now from government-sponsored securities.

No one knows the size of this untapped pool of Euro-sterling, though it is probably larger given the right terms than many suspect. The government itself might be tempted to borrow from it at effective rates even less than British companies get were it not for the fact that such borrowings would do nothing to help the sterling money supply under the sort of control that is now being agreed with the team from the International Monetary Fund.

Much is made of the fact that the

instruments sold in this Euro-sterling market are totally anonymous bearer bonds, attractive to the most coy holder of sterling. It is, however, difficult to believe that Swiss banks or other nominees could not achieve the same sort of service for clients, while earning a larger rate of return and even greater security from the British Government.

It seems in fact that an extraordinarily imperfect market is being operated against those foreigners who, for whatever reason, want to invest at the moment at fixed interest in sterling securities.

And it is difficult to avoid the conclusion that the main reason lies in the commission structure for those who have the placing power in this newly reborn Euro-sterling market, among them the principal Swiss banks. Those acting with discretion or as brokers get more for putting their clients into the Euro-sterling war loans, even if their clients get less.

The revived Euro-sterling market is a clear bonus for those able and willing to tap it. It is relatively cheap and does not impose many of the sort of obligations that tends to attach to other kinds of fixed interest borrowing. This only serves to underline another imperfection in the existing market.

For, if A-grade British companies or institutions can borrow in the Euro-sterling market cheaper than the British Government can itself borrow sterling domestically, even such companies are unable to borrow in the United Kingdom at anything like the rate available to the British Government.

The main reason is that the market has decided, almost as an administrative measure, that the rating of local authorities will be substantially worse than that of the Government and that even the best companies must rank after the worst local authorities.

Melvyn Westlake reports on prospects after the failure of the North-South commodity talks

## A fund of ill will in search of conciliation

It is unlikely to prove the end of the road for these negotiations... But what has caused particular resentment among the Third World countries is a belief that the rich nations are now going back on promises made to them last summer during the North-South dialogue in Paris.

Individual commodity agreements negotiated between countries and the individual producers of particular products. The real differences are about the relationship between the Common Fund and the individual commodity organizations; whether they would be administered by the Common Fund, or whether they would be largely autonomous.

Some of the developing countries see the Common Fund as a powerful instrument for intervening directly on the commodity markets, receiving some finance from governments for this purpose, and borrowing further sums from the banks and the international capital markets.

According to calculations made by the secretariat of the United Nations Conference on Trade and Development in Geneva, about \$6,000m (£3,300m) could be needed to finance the Common Fund, if it operated along the lines envisaged by the developing countries.

This money would be used to build up buffer stocks for commodities when prices are falling. When prices rise, the stocks would be sold in the market. In this way fluctuations in raw material prices would be smoothed out.

In addition to this, the Common Fund would have a so-called "second window" under Third World proposals, which would enable it to undertake "other measures". These would include measures to regulate commodities that could not be stocked, perhaps because they are perishable.

The developing countries further think that these "other measures" would include helping producers to diversify out of unprofitable crops, as well as promoting research into new uses for commodities and new marketing techniques.

The rich consumers of raw materials take a very different view of the role of the Common Fund. They want the individual commodity organizations to be much more autonomous.

Decisions about buffer stocking would be the exclusive preserve of the individual commodity organizations, which would be financed directly by the consumers and producers of particular products.

The common Fund would operate more like a bank, receiving the surplus cash of the commodity organizations and providing them with a kind of overdraft facility when their cash resources are insufficient for their stocking operations or preventing prices from falling.

The original proposal of the rich countries at the Geneva conference was that the individual commodity organizations would deposit with the Common Fund some 75 per cent of the finance deemed necessary to give effective control of the market. This would give an entitlement to draw out of the Common Fund a figure equivalent to 100 per cent of what was needed when the occasion arose.

The additional 25 per cent from the Common Fund would be borrowed by the fund from the banks, backed by credit guarantees from the rich nations. However, these ratios are still negotiable, the rich countries maintain, and the size of the overdraft could be bigger than 25 per cent.

They have conceded that the commodity organizations themselves should be financed by both producers and consumers, whereas, traditionally, commodity buffer stocks have been financed solely by the poor producers. This, together with their willingness to provide credit guarantees for the Common Fund's own borrowing, is seen by the rich nations as a large concession.

However, the rich hardliners are sceptical by the need for the Common Fund to have a second window, arguing that the World Bank and other international aid agencies will be providing about \$3,000m to the Third World producers between 1975 and 1979, for

measures like those envisaged for the second window—a sum much smaller than likely to be forthcoming from the Common Fund for such activities.

The developing countries counter these arguments by saying that the \$3,000m is not enough and, anyway, is given in a piecemeal fashion. What is needed is new agency which can take an overall view of the markets for primary products, and which could be supported in its work by the World Bank and other institutions.

Moreover, they say, it would be cheaper and more efficient to regulate commodity markets along the lines they suggest, giving the Common Fund a central and more powerful role.

A final area of disagreement between the rich and poor nations is over the management of the Common Fund. The developed countries maintain that greater control should go to those nations that put up most money. The Third World producers are agitating for at least 50 per cent control of the Common Fund in an attempt to break the monopoly control of international institutions which the rich nations have traditionally exercised, particularly over agencies like the World Bank and the International Monetary Fund.

The great difficulty in getting agreement between the rich and poor nations is that the requirements of the African group are not the same as the requirements of the Asians or the Latin Americans.

Therefore, concessions have to come simultaneously on several fronts. Anything less could split the unity of the Third World which has continued to remain surprisingly unified. Single concessions by the developed nations are suspected of being motivated by a desire to break this solidarity.

By contrast with the Third World, the rich nations have appeared greatly divided. The Nordic states and the Netherlands have shown a willingness to concede many more of the developing countries' demands than have the hardliners—the United States, Britain, West Germany and Japan. This has given rise to scornful remarks from some African countries about the "gangs of four".

What has caused particular

resentment among the Third World countries is a belief that the rich nations are now going back on promises made to them last summer during the North-South dialogue in Paris.

Part of the motive for the Third World's move to get the Geneva conference suspended was their view that at each conference the developed countries appear to be making concessions which they try to wriggle out of in the early stages of succeeding negotiations.

Another source of bitterness is what is seen as the low rank of negotiators deployed by many of the rich nations, which is thought to reflect the low level of priority given them to the commodity talks. Many of the Third World countries were employing their permanent United Nations ambassadors.

By contrast, the United States permanent ambassador was rarely to be seen. Instead, the chief American negotiator was a more junior official from the State Department. In Britain's case, Sir James Bottomly, the permanent ambassador, was also a good deal less prominent than the more junior Mr Gordon Barras.

Perhaps this partly accounted for the resounding applause given by the developing countries in plenary to Mr Jan Pronk, the Dutch Minister for Overseas Development, the only minister from the rich nations who attended any part of the month-long conference.

The question is now, where do we go from here? The developing nations have threatened to "go it alone" and set up their own Common Fund. But it is hard to see how this could ever be really successful without the financial help and moral support of the developed countries.

On the other hand, a Third World Common Fund could certainly have a worryingly disruptive influence on world markets in the short-term even if it ultimately failed in its objective of controlling prices. Arguably, it would be better for the rich nations to have some control over its activities, even if it was different in kind to the institution they would prefer.

Moreover, a worsening of relations between developed and developing countries will make it still harder to deal with other, and possibly more serious, problems than those of commodity price regulation, notably the dramatic fall in the level of new investment in raw material production. This threatens to cause great scarcity and high prices when the world economy picks up.

Both Herr Helmut Schmidt, the West German Chancellor, and Mr Edmund Dell, the British Secretary of State for Trade, have given warnings recently about this danger. It is a problem that cannot be neglected for long, and it would be short-sighted for the rich nations to delay a solution in this area because of a single-minded preoccupation with the cuts and bolts of a Common Fund.

## Business Diary in Europe: A reluctant consumer champion?

Douglas Hurd MP, director of the British section of the European League for Economic Co-operation, is delighted that he has attracted Richard Burke, the Irish European Commissioner, with responsibility for consumer affairs, to give his first major speech in London at their conference this week.

It will be interesting to see what impression the commissioner makes. Since his arrival in Brussels, succeeding Dr Hillery, now his country's president, Burke has been trying to live down an unflattering reputation which preceded him.

Coming from the clerical, right-wing of the Fine Gael, Burke was a personal appointment to the Brussels job by his close friend Liam Cosgrave, the former prime minister, whose subsequent heavy defeat in a

general election has since dictated a return to the backbenches.

One way in which Burke had ingratiated himself with the former Taoiseach was by joining him in voting against a bill brought forward by his coalition government of which they were members in 1974 to legalize the sale of contraceptives to married couples.

In the night-long haggle over which commissioner was to have what job, Burke is generally agreed to have emerged a hopeless loser. He might have liked foreign affairs, or agriculture would have provided a useful springboard for his intended return to his own country's politics, but he ended up with a ragbag including taxation, transport, consumer affairs, and relations with the European Parliament. Consumerists have not found Burke a convincing champion thus far. At a conference in Dublin in September the commissioner, formerly an ultra-conservative minister of Education in Ireland, found himself sharply criticized for saying that consumer education was "undesirable" in primary schools.

A rather stiff and pompous speaker, Burke's lack of commitment to consumer affairs hardly promises an inspiring speech on Thursday morning at the Café Royal.

What the assembled consumerists will want to hear is

some news of action, instead of the usual carefully listed professions of good intent.

Roy Jenkins's "cabinet" of the team of specialist advisers attached to each European Commissioner—will shortly lose the economic expertise of Michael Emerson, who has played a large part in the commission's attempt to relaunch the EEC towards economic and monetary union.

Emerson is expected to be replaced by Manfred Wegner as head of the division looking after national economies and economic trends within the commission department responsible for economic and financial affairs. Wegner will be taking up a new job in Bonn.

Emerson is no stranger to DG II, as the economic affairs department is called, having worked there before joining president Jenkins's cabinet. Prior to that he was attached to the Organization for Economic Co-operation and Development in Paris.

It is no secret that Emerson had argued the case for a much more rapid move towards monetary union than that envisaged in the proposals which Jenkins will be submitting to EEC heads of government at their summit meeting in Brussels today.

Suggestions that his change of job, which is regarded as a promotion, has anything to do

with the frustration of his more visionary monetary schemes are discounted. No names have yet been mentioned for his replacement.

David Edward, a 43-year-old Scottish advocate (barrister) becomes next month the first British president of the Consultative Committee of the Bars and Law Societies of the European Community.

This is the link between solicitors and barristers throughout the community and between them and Brussels. Edward, who is also by far the youngest man to assume the presidency, succeeds Frenchman Albert Bruinot.

Edward drew up CCBE's delightfully named Declaration of Perugia, which was made public in September (in *Litige* for reasons best known to the CCBE).

The declaration enunciates the principles of professional conduct upon which the many lawyers' associations of the nine could erect a code of practice to which all could subscribe.

It's not as simple as getting one country's lawyers to agree with those of another. We British, for example, do not have a national interprofessional body uniting both solicitors and barristers. The Italians have no less than 230 legal associations of one kind or another.



David Edward at the weekend.

Edward is now preparing for the first CCBE meeting of his two-year term, which will be in Paris next month. This is to clear the ground for a full-dress meeting in Bordeaux in April—a meeting likely to be attended by a Spanish observer.

One theme of his period of office, Edward says, will be to reshape legal studies so that the profession anticipates changes to come rather than react to what has already taken place.

The West German motor industry is to have a new chief lobbyist from the beginning of April next year when Horst Backsmann (57), at present a member of the Volkswagen

managing board, takes over on the retirement of Dr Johann Heinrich von Brunn as president of the VDA, the German automobile industry association.

Backsmann's responsibilities at Volkswagen are fairly widespread. He is in charge of the public relations as well as VW's public relations which provide gives him as good a grounding as any for the job of automobile industry association president.

For although the motor industry boom of the past two years has demonstrated that the motor car is very much the Germans' favourite toy, this has not always been the case. Fresh in the memory is the slump in demand that followed the oil crisis of 1973.

The VDA, therefore, takes its public relations role very seriously while Backsmann's legal experience should be useful when it comes to tackling such tangled issues as harmonizing standards and exhaust regulations in the EEC and farther afield.

My eye was taken by an item in my local paper describing complaints about a nearby school. The classrooms are so cramped that teaching is difficult and the children so tiny that some students spend more time queuing than learning in the district's college of design.

### HERMAN SMITH LIMITED

The following is an extract from the circulated statement of the Chairman and Managing Director, Mr. Herman G. Smith:

The trading profit for the year ended 30th June, 1977, was £36,174, subject only to tax, which compares with £238,609 for the previous year. The value of direct exports from the U.K. increased by 41% to £336,364. All the operating subsidiaries of your Group encountered severely adverse trading conditions and, regrettably, it was necessary to match lower levels of work load with a reduction in our work force of 23%. The financial cost of this was substantial and is included in the accounts.

HERMAN SMITH (MACHINING) and HERMAN SMITH (AERO SERVICES) have become progressively interwoven in their activities and it has been decided to amalgamate them into a new, wholly owned, subsidiary company, Herman Smith (Precision Engineers). Orders and delivery programmes have shown a substantial improvement trend in recent months. I believe that the improvement will continue and expect better results this year.

HERMAN SMITH (ELECTRICAL ENGINEERS) has shown an improvement. Aggressive marketing has improved the level of contracts on hand, despite fierce competition.

HERMAN SMITH (SPECIAL PRODUCTS) operated as a self-contained unit designing, manufacturing and selling our own range of in-flight catering equipment to airlines, throughout the world. Trading results were satisfactory but competition for available business is particularly intense.

HERMAN SMITH (PRESSWORK) achieved reasonable results in view of the slack demand in the autumn of 1976. Prospects for the current year are encouraging.

GENERAL. The difficulties of the year have been contained and profits of £34,112 earned in the second half. The forward order position and prospects of your Group have improved and I feel sure that your Group will show improved results this year.

Copies of the Report can be obtained from the Secretary, Cinderbank Works, Dudley, West Midlands DY2 9AH.

## Industry in the regions

## Aberdeen penalized for success in the oil-related business

Despite the onset of winter due to last for at least seven if not a full eight months in North-east Scotland, Aberdeen is still basking in the glow of this autumn's offshore Europe exhibition where a tidy £50m worth of business was done inside four days—with the prospects of total contracts placed expected to be £200m over the next few months.

Although the contracts will be spread, world-wide oil-related firms which now number 420 in Grampian Region, that wedge of North-east Scotland between Aberdeen and Inverness, would certainly have taken orders worth many millions, adding hard cash to Aberdeen's warm after-glow brought about by concentrated attention from the world's most powerful energy business.

Offshore oil is as commonly and correctly recognized has transformed the economic face of the Region and its capital city providing a seemingly ever expanding demand for most services and skills, a major drawing companies into the area to serve that demand as well as encouragement for local industry to diversify into the oil world, and in the process turning a sluggish regional economy into an expanding one.

A solid service and administrative infrastructure has been established in the area to serve the needs of the offshore oil and gas industry employing directly 11,000 people, while many locally-established companies offering a variety of manufacturing, commercial, financial and personnel services for the oil world as an addition to their traditional services give total employment directly or indirectly related to the offshore energy industry of 20,000.

Supply and victualling, storage and warehousing, stock control, freight, forwarding, ship and air charter, labour and plant hire, diving, diving supply and back-up, general engineering, onshore and offshore fabrication, supply boats and services, geological, analytical and consultancy services, drilling, communication and electronic equipment... and much more operate from the region for the oil industry.

And of course there is a queue to join the Aberdeen oil train. A line of 120 companies looking for office, factory, depot, warehouse and storage

space in ready-made premises has met its response from both local authority and private developers, with an on-going programme of advance factory units and serviced sites for building, although demand certainly exceeds supply at the moment.

With all of that Aberdeen should be putting on its top hat and tails except that it has suffered one of the more cruel fates ever inflicted on an area in the Government's juggling with regional aid schemes. From next April the Aberdeen Employment Exchange area, covering 60 per cent of Grampian Region's population and half the Region's total area, will be downgraded from development area status to intermediate status, losing a crucial 20 per cent grant for new plant and machinery, although grants for buildings and various forms of selective assistance will remain.

Aberdeen, the only intermediate area in Scotland and North of England has been penalized for its success—success in attracting and keeping oil-related industries while stimulating local firms to take part in the wider oil horizons as well as to become more competitive and efficient within their own industries. Mr Bruce Milken, the Secretary of State, was painfully clear when he made his abrupt announcement in Aberdeen this April that the area, with at that time an unemployment rate half Scotland's national figure, now had considerable permanent employment arising from oil and the Government wanted to be more selective with assistance to spread new job opportunities to other parts of Scotland.

But it is the area's traditional manufacturing industries, particularly papermaking and textiles with their necessary long-term investment and re-equipment plans, which will feel the first coal draughts from the Government's decision.

Long-term predictions are at best hazy for the moment, but some factual consequences are clear. According to a survey conducted by Aberdeen Chamber of Commerce, capital expenditure on the part of 20 major companies employing 44 per cent of industrial workers in the area eligible for the 20 per cent grant in the current financial year amounted to £7.8m. And the projected eligible expenditure for the next three years comes to £25m, with the 20 per cent grant standing at £5.2m—which of course will not be there any more.

Cap Fowles

## FINANCIAL NEWS AND MARKET REPORTS

## Cost of bread strike may bite into RHM

Foods, both manufacturing and retailing, will be in the spotlight this week with some of the largest and smallest groups in the sector publishing results.

One of the first to show how well, or badly, it has been trading is bakery giant Rank Hovis McDougall, reporting full year figures tomorrow. Brokers Joseph Sebag are none-too-optimistic of the outcome, estimating a dip in pre-tax profits to around £37.5m against £40m. These figures do not take into account the cost of the September bread strike—likely to exceed Associated British Food's £2m loss—which will bite hard into the interim profits of the current year.

Almost doubled half-time profits is the forecast for Thursday's figures from J. Lyons rising from £4.5m last year to £8m this time round.

And Sebag is also expecting an increase in Wednesday's figures from Northern Foods, the Hull-

Lord Nelson of Stafford, chairman of GEC, whose interim figures will be reported tomorrow.

## This week

based drinks and dairy produce supplier.

Northern supermarkets group Levenson is also likely to have some of the gloss knocked-off profits this time round. L. Messel are going for interim results of around £900,000 on Friday against a previous £800,000. The Tesco-inspired High Street price war has made the going tougher on the supermarket side while the fresh fruit business has been hit by rising costs and near-stable prices. However the wines and spirits division is running well ahead of last year with the large stocks bought ahead of the Chancellor's December measures contributing to increased sales and better margins.

Focusing on GEC, which reports its interim figures tomorrow, Grierson, Grant forecast a profit of £137.5m with a projection of at least £320m for the full year. The blue chip group turned in £119.5m at the half-way stage last year and £278m for the full 12 months.

Tossed and torn on the troubled waters of the take-over front Redfern National Glass will also unveil its results tomorrow.

TODAY:—Adkins Bros, Braemar & Co, Cardie Eng, Carding Gp, Ltd & Overseas Freighters, Mitchell Somers, W. & Norton, Fegler-Hamersley, A. Preston &

Alison Mitchell

## Wines and spirits may keep ahead of beer

The season for brewing industry figures got under way last week with Bass Charrington, and brokers Farrer Gordon have taken a timely look at the sector with their half-yearly review.

Overall they point out that beer production fell very sharply in the peak summer months from the levels of 1976 and there has been a corresponding depression in wines and spirits, though there are some recovery indications.

In spite of price increases in April to June, profits are thought to have been little more than maintained during April to October.

The brokers see the pickup in consumer spending, as possibly channelled to drinks, leading to a recovery in sales rather than beer, though wines and spirits could benefit.

In investment terms brewery shares have performed well since the spring, particularly since the market's peak in

## Brokers' views

September and Panmure believes this trend could continue through the end of the year, spending as the key to sector movements in the immediate future.

On a six-month view they select: Allied Breweries, Bass Charrington, and Carlsberg, Scottish & Newcastle and W & A Pilsener.

The last one is a relative underdog among the other giants, but its inclusion is justified by the fact that the Carlsberg division may well not be so interested in containing beer prices for the small companies as for the large ones.

On note of caution sounded in the sector for all the shares is that the sector performance is expected to be good relatively but, "We do not believe that their attractions are strong enough to prevent the shares falling to their absolute terms if a downward trend is established for equities in general. 1970 is the only recent year when brewery shares moved in an opposite direction to the

Wood Mackenzie have been looking at the opposite insurance sector after their nine-month results and the massive increase in the issue from Commercial Union.

The brokers point out that the announcement had an adverse effect on the sector, specifically because Royal with its lowest security margin in the sector was thought likely to follow suit.

However, Royal's retentions of £120m this year and next compared with £70m at CU and its strong United Kingdom central position lead the brokers to believe a Royal issue is unlikely.

Earnings per share for the year have been revised up from 16.7p to 17.1p for CU, 53.2p for Royal and downwards slightly for General Accident to 29p.

Overall the effects of the rights issue could mean a record of relative weakness for the shares in spite of favourable underwriting trends and the industry's stronger capital position.

Wood Mackenzie see this as an attractive buying opportunity, especially for Royal, Insurance with its United Kingdom orientation and the unduly depressed price.

Bryan Appleyard

## No comment on Toyota dividend

Toyota Motor Co declined comment on a Nihon Keizai Shimbun report that it will abandon a plan to increase its ordinary dividend for the business year ending next June 30 because the year's appreciation has affected business.

The report says the company's profit before tax and special items for the year are expected to fall to 190,000 yen (£413m) from 210,120 yen in the preceding year due to the year's appreciation. Toyota said it has not revealed its dividend policy for the year.

—Reuters

## Sony Corporation

Sony Corporation said it expects to report soon a 10 per cent gain in its consolidated net income and revenue for the year ending 30.9.78 over the previous year's 30.7.77 of (£66.5m) and 463,530m yen.

## International

respectively. The president, Kazuo Iwama, said that definite figures will be announced later this month but added that revenue is expected to have topped the 500,000 yen mark for the first time.

## Joint bid for Bradmill

Clevedon and Alameda Investments Pty of Australia, said they plan to bid for 40 per cent of Bradmill Industries, a British firm which issued capital which they do not already control. The two companies said they will offer 70 cents a share, compared with a stock market price of around 64 cents.

## State groups benefit

The Italian Government has raised the capital of four state holding companies, according to an official communiqué. Istituto per la Ricostruzione Industriale, a mixed group including mechanical, transport and communications companies, received 335,000m lire (£206m). Ente Nazionale Idrocarburi, the energy and engineering group, received 123,000m lire. Ente Cinema and Ente Terme, which have holdings in the film industry and curative baths, respectively, got a total of 20,000m lire.

## Emery revenue rise

Emery Air Freight has reported a rise in revenue of 21 per cent to \$89.4m (about £50m) for the third quarter of 1977, compared to the third quarter of 1976. Earnings per share are also up for the same quarter, totalling 63 cents. This increases the company's income for the first nine months of the year to a record \$252.9m, which is more than \$38m up on the same period last year.

## Less political risk in Canadian gold stocks

With the South African general election out of the way and producing a predictable result, investor sentiment now waits upon the next moves by Mr Vorster, the Prime Minister.

A large dose of liberalism now that the ultra right wing Herengte Nationale Party has been eclipsed should provide a large fillip for South African shares.

On the other hand, there are fears that Mr Vorster, having gained what he sought, will

## Mining

tighten the screws still further. Certainly the result of the inquiry of Mr Steve Biko and the round up of some members of his family have reaffirmed some views that the election result will lead to a harsher and more isolationist regime.

Concern about South African gold investments is voiced by London brokers Grierson, Grant which is cautious about such investments, despite the firm's continued optimism for gold and uranium prices, in the current political climate. The firm can however see selective purchases if there is a further substantial fall in prices.

For those optimistic over the future trend in the gold price, the firm recommends three Canadian gold producers and one Australian share—Central Norseman Gold.

Central Norseman, somewhat surprisingly, is on a lower rating than the South African producers, selling at just 2.7 times prospective earnings and yielding a prospective 23.4 per cent on the basis of a gold price of \$155 an ounce in the year to the end of next June.

It is suggested that earnings per share will rise from \$51.87 to \$52.25 and that the dividend will be nearly trebled from

50 cents to \$1.45. There are basically two reasons for anticipating such a large dividend increase.

The chairman, Mr L. C. Brodie-Hall, told the company's annual meeting that it intended to pay out two-thirds of earnings in dividends. In addition the company is 51 per cent owned by Western Mining, which, given the state of the nickel market, needs as much income as it can get.

In contrast to Central Norseman, the South African stocks, Canadian gold shares are expensive, which is partly the price of fewer political risks (this week's general election in Australia has been a case in point) and partly because they are high cost producers and thus highly geared to a rise in the gold price.

Dickenson and Grant Yellowknife have been selected by Grierson because they are high cost producers and thus highly geared to a rise in the gold price.

Dickenson, which is currently spending £53m on deepening its shaft to develop an ore zone being mined by the adjacent Campbell Red Lake, has a life of five to six years. Earnings a share this year are expected to rise from three cents to 25 cents with the dividend doubling to 10 cents (and doubling again next year), which puts the shares on a prospective yield of 2.1 per cent and selling at 19 times earnings.

Grant Yellowknife is rated as the most attractive of the Canadian gold shares and this year is expected to earn 60 cents a share compared with a loss of 10 cents last year and is estimated to make 90 cents next year. This year's prospective p/e ratio of about 14.9 is cut to 9.9 next year while the prospective yield rises from 1.7 per cent to 5.6 per cent.

Camfilo, a lower cost and longer life mine, is also diversifying into coal, oil, gas and uranium exploration.

Desmond Quigley

## Tanker trade is facing slower pace

By comparison with the past month or so, last week's tanker market brought a warning of pace. This trend which was apparent throughout the market was particularly noticeable in the Gulf where the volume of fixing and the amount of new chartering both decreased.

In line with this, vice rates from the Gulf eased back slightly to an average of world-scale 28. Both Social and Texaco booked tonnage at this level around midweek. Social obtained 745,000 tons of capacity from John G. P. Livianos for a Gulf to United Kingdom/continues voyage while Texaco arranged the smaller Nepco Bahamas for a similar voyage.

Among other vice fixed during the week were the 250,000-ton Grand Brilliance chartered by Sohio for a West Africa to Caribbean trip at \$29.75, and the Energy Concentration. This latter tanker was chartered by Union Oil for a Gulf to Caribbean voyage with 195,000 tons part-cargo. The rate for this trip was \$33.5 at full steaming, and \$32.5 on a slow steaming basis.

Of the other market sectors, the Caribbean and West African loading areas saw relatively busy periods.

David Robinson

## Freight report

Prospects are now brighter at the Barratt Developments Group, which saw its pre-tax profits drop from £9.7m to £7.4m in the year to June 30. At yesterday's annual meeting in Manchester, Mr L. A. Barratt, chairman, declared that from the early summer onwards there have been marked signs of improvement.

Desmond Strachbury has been made a director of S. W. Clarke (Contractors).

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## Engineering outlook no better at Triplex

The future of Triplex Foundries is as hard to predict as ever, according to chairman, Mr Ronald Harrison. But he assures shareholders in the interim report that he is sure the company will remain in a very strong position.

In the six months to September 30 last, the group made a pre-tax profit of £1m against a pre-tax loss of £16,000, on turnover up from £12.6m to £15.3m.

The foundries division, which turns in the largest percentage of profit, showed the biggest improvement increasing its contribution from £576,000 to £797,000 despite difficult trading and irregular demand.

The aluminium pressure die-casting section, which acquired a new 1,200 ton machine, is now embarking on a further programme of expansion, to be able to meet any upsurge in demand. Margins must be improved to take account of the high cost of raw materials and equipment in the aluminium section, says the chairman.

The outlook has not improved for the engineering division, which saw a dip in profits at the halfway stage. The Government's boost to the construction industry has not yet filtered through to the order book of offshoot Hale & Hale Engineers and, although the chairman has no worries about the long-term future, he can see no sign of an upturn in the more immediate prospects. Delayed projects, particularly in the public sector, have hit the profits of E. D. Birchcliffe, he reports.

Good demand has increased the contribution from Philip's Plastic Products and growth potential is good, according to the chairman, with capacity being expanded by the acquisition of a vacuum forming machine.

Desmond Quigley

## Bishop's Stores tops £1m despite modest sales upturn

A 26 per cent jump in pre-tax profits takes food wholesaler and retailer Bishop's Stores over the £1m level for the first time at the interim stage.

In the 28 weeks to September 10 the group turned in £1.01m against a previous £791,000 on sales up from £50.7m to £57.8m.

However, chairman Mr John Broadfield reveals that the group has not escaped the price cuts. The effect on our full year results is difficult to forecast owing to seasonal factors, but we are experiencing mounting pressures in all sections, he says.

And the chairman is banking on Government measures stimulating consumer spending in the second half. For shareholders there is a maximum guaranteed interim dividend of 1.8p gross.

Fellow foods group Linford Holdings now has an 11 per cent stake in Bishop following its takeover of Gateway Securities earlier this year.

## Outlook much better at Barratt Dev

Prospects are now brighter at the Barratt Developments Group, which saw its pre-tax profits drop from £9.7m to £7.4m in the year to June 30. At yesterday's annual meeting in Manchester, Mr L. A. Barratt, chairman, declared that from the early summer onwards there have been marked signs of improvement.

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## Hestair sets up new agricultural offshoot

A new operating and holding company has been set up by Hestair for its agricultural engineering interests. The move follows the purchase in August of Root Harvesters, Wheatley Traders and P. B. Bettinson. The new company will be known as Hestair Farm Equipment and, together with Hestair Machinery and subsidiary T. A. Webb, constitutes one of the largest British-owned agricultural engineering companies.

Desmond Quigley

## Credit Data hoping to get quote back

Credit Data, the largest United Kingdom credit services organisation which has returned to profit after losses of almost £2m in three years, hopes to restore its Stock Exchange listing in the near future, according to Mr Paul Brookes, chairman. With the return to profit for the year to June 30 with a pre-tax total of £36,098, he told shareholders at the annual meeting that the company was now on a sound basis for the future.

## Business appointments

Mr K R Evans joins the Fodens board

Mr K. R. Evans has been made a director of Fodens, a Belgian stockbrokerage firm, and Charles Fodens & Co, London-based international firm, a joint money broking company.

Mr Bryan Treacher has been made director of S. W. Clarke (Contractors).

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## Bank Rates

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ACCOUNT DAYS: Dealings Began, Nov 28. Dealings End, Dec 9. § Contrango Day, Dec 12. Settlement Day, Dec 20

**ACCOUNT DAYS:** Dealings Began, Nov 28. Dealings End, Dec 9. § Contrango Day, Dec 12. Settlement Day, Dec 20

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)











Tomorrow marks the sixtieth anniversary of the independence of this former Russian Grand Duchy. This Special Report looks at the political and economic development of the country and its relations with the Soviet Union

# FINLAND

Since independence Finland has dextrously trodden a neutral tightrope between East and West. The 4,750,000 Finns are a quiet, resolute and hard-drinking people with a tongue-twisting language who have established an enviable quality of life for themselves. Now, however, beset by recurring weak government and the aftermath of the energy crisis, they are being forced to come out of their northern haven to play a greater role in trading internationally.

## Recession strikes a sombre note

by Olli Kivinen

Economic facts of life dictate without mercy that the mood in recession-stricken Finland on the sixtieth anniversary of independence is very sombre. No large-scale celebrations are planned, and the whole occasion is taken more as an opportunity to look carefully where the country stands and how well it has been able to materialize the present-day dream of strengthening its position in the world by building bridges between east and west.

Finland is in a perfect position to act as a mediator in today's Europe. It has a distinctly Western culture and democratic way of life. It can be said that even though early years saw many difficulties, democracy has settled down firmly in Finland, and this rebirth of an age-old democratic tradition after turbulent years has led to a society which can boast of real equality and advanced democratic institutions.

Yet Finland also has an inherent understanding of the east which it acquired during a century as a grand duchy of Tsarist Russia. Finland was 60 years ago better prepared for independence than most other relatively new nations, as it had its own national, political and social institutions extending over many years with a parliamentary system and distinctly Finnish culture, civilization and language. This advanced unionhood was completed during the nineteenth century, and it involved working with the Russians, sometimes at odds,

sometimes during the more liberal Tsarist rule, in cooperation.

This experience of living between East and West was to a great extent denied during the early decades of independence. The first 20 years which follow any nation's independence, and its rebirth started only after the Second World War. Since then Finland has actively spread its cooperation attempts eastwards instead of looking solely to the West. In many ways the fiftieth anniversary 10 years ago was more of an occasion for reminiscence while now more attention is paid to Finland's role as a bridge builder. The reason behind this is partly that the country is in the middle of a presidential election campaign mostly aimed at strengthening the present foreign policy.

In addition to this Finland has very much in the aftermath of the European Security Conference, in which the country has been deeply involved and which is seen as a major event even though it is not so greatly appreciated in other European countries.

Finland has been successful in its bridge building attempts in security policy and trade, but the picture is not as satisfactory in cultural relations where it has been unable to bridge the huge gap of distrust which still divides Europe.

The economic recession has hit Finland hard with unemployment rising towards an unheard of 7 per cent and industries using only part of their capacity. These difficulties are a direct result of the world

recession and they hide the fact that the 60 years of independence have brought about rapid industrialization, a good social security system and a huge rise in the standard of living.

Even after the Second World War Finland was an economically backward country with a limited pulp, paper and timber industry. In 1950 more than 40 per cent of the labour force eked out a living from agriculture, a difficult task north of the 60th Parallel. Even in the early 1960s this figure was more than 30 per cent. After that it has decreased to roughly 15 per cent.

Finland has established modern and varied industries since then, and economic growth averaged nearly 5 per cent a year before the present recession. It was done without Marshall Aid and without major direct investment from abroad. This industrialization led about two years ago to the previously unthinkable situation as Finland overtook many other Western countries, including Britain, in per capita income.

Dislocation of the large labour force from small farms led to the inevitable social consequences, among them emigration to Sweden, but on the whole rapid change has so far been fairly well controlled.

The metal-based industries, especially, have benefited greatly from liberal and innovative trading policies. Free trade agreements with EFTA and the EEC meant that the traditional basis for Western trade, which accounts for about 80 per cent of Finland's foreign

trade, was maintained. Simultaneously, Finland strove to open up more trade with the Comecon countries and, especially, with the Soviet Union.

During the recession the eagerness to trade also with eastern countries has paid good dividends. There is no doubt that trade with the Soviet Union has helped Finland to avoid serious difficulties and, contrary to many doubts, Finland strives hard to increase this trade. The main stumbling block is the difficulty in finding more to export from the Soviet Union as trade is conducted strictly on barter basis.

Different cooperation agreements between Finland and the Comecon countries have already become a basis for many other countries trying to increase their trade with Comecon. Finland, for its part, hopes that these agreements among them the 15-year framework trade agreement with the Soviet Union helps it to maintain its position as one of the three most important Western-East block trading nations.

Also in foreign and security policy Finland has scored important victories recently and its position has improved considerably. The end of the Second World War was a watershed as Finland changed policies and began a peaceful strategy aimed at keeping out of big power conflicts. This policy has since graduated to active neutrality with Finland taking initiatives in many sectors, most notably in European security and in the United Nations.

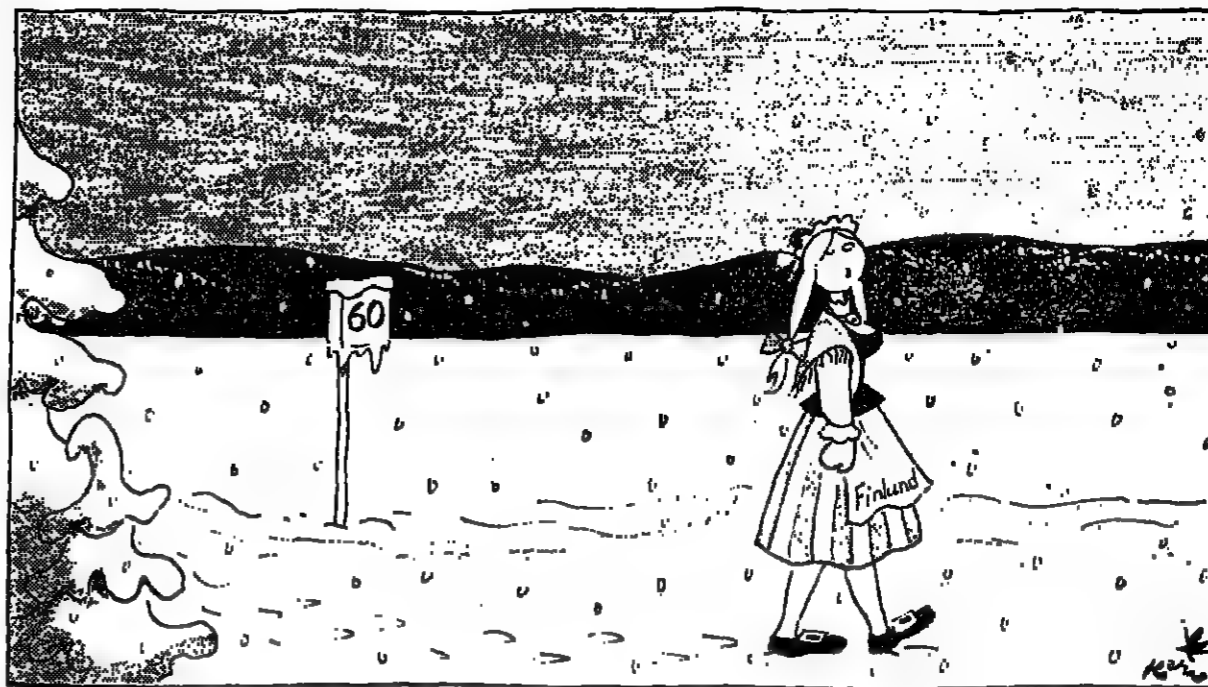
Finland is, because of its geographical position, more

dependent on détente than most other European countries. Any step towards the Cold War days is felt immediately in Finland, and thus it is naturally most anxious to improve East-West relations. The new and largely original foreign policy aimed at breaking the ice has led to a lot of speculation about going too far into Finlandization, but no objective observer looking at the results of this policy from a Finnish viewpoint can dismiss it as a failure.

Finns pride themselves on the fact that the present foreign policy, which has strengthened Finland's international position beyond anything so far achieved, is based on the country's own resources and ingenuity as well as the general status quo in Europe. It does not depend on Germany or any other power as in the past.

No one can naturally guarantee how Finland's new concept of using its position as a frontier bridge between East and West instead of the traditional standing on guard as an isolated outpost of the Western world can withstand potential pressures against the European security system, but for the moment Finland is clearly in a position to continue this active work and raise its voice in international arenas to a louder pitch than its size would justify.

In the more abstract cultural bridge-building Finns have not fared as well as in trade and politics. The reason is, no doubt, partly that this sector is covered more by emotion than facts both



Miss Finland says "Footloose and fancy free, but it doesn't mean to say I haven't had my chances." The cartoon is drawn by Kari Suomaleinen, of the Helsingin Sanomat.

## Minnow in a whale's vision

by Donald Fields

in the East and in the West, and this makes conciliation more difficult.

This must not hide the fact that Finns can also blame themselves as this bridge-building is hampered by the lack of détente at home: if this détente does not exist in cultural life it is difficult to spread it beyond the frontiers. Finland's non-socialists do not want to make a real effort to look to the East, and on the socialist side most activism has been frozen to a main northern type of Stalinism which rejects everything Western.

This strong political adversity in cultural life has now staled the intellectual atmosphere. Perhaps the whole phenomenon adds up to a short quiet spell after a wave of activism, new ideas and life during the turbulent 1960s and early 1970s. This basically leftist-inspired movement has disappeared in Finland as in so many other countries, but in Finland the reaction has been more bitter than else-

where in Western Europe. This change can be seen most clearly among the new left although most of it has frozen into a rigid, sullen type Stalinism where even a glint of liberal thought is blasphemy. In the fight against isolation, which is another danger of the geographical position, this rigidity is serious as it forms another barrier against free exchange of ideas not only in internal but also international arenas and hinders Finland's attempts to become a powerhouse where East and West can meet.

Strong political passions even prevent calm public discussions on items like dislodgement in the East block countries and Eurocommunism.

This cultural vacuum may be a temporary result of the dismal economic situation which clouds almost everything, but as present politicalized dullness prevents all important advances in cultural bridge building.

The author is on the staff of the Helsingin Sanomat.

Finland's foreign policy makers, from President Kekkonen downwards, are said to sleep most soundly when their country remains outside world headlines—unless they relate to the promotion of conferences or peacekeeping. By this yardstick they can hardly be insomniacs; between the "note crisis" of 1961 and the hijack of a Soviet airliner to Helsinki last July the sensation-mongers were ill-served. Even the hijack, fizzling out in the quiet extradition of the two Russian perpetrators in accordance with a three-year-old agreement, quickly lost its news value.

Outsiders are often mystified how Finland can live freely, its traditions intact, next to a giant. The situation

is often dismissed as one which manifests a Soviet desire to maintain a showpiece for peaceful coexistence. Such a view underestimates Finland's adept policies.

The Finnish-Soviet Treaty of Friendship, Cooperation and Mutual Assistance, signed in 1948 and renewable unchanged until 1990, is a far-sighted document which, unlike Russia's agreements with its cold war satellites, notes Finland's desire to "remain outside the conflicts of great powers". The key military clause obliges Finland to defend itself in the event of an attack by Germany or its allies on Finland or the Soviet Union through Finnish territory.

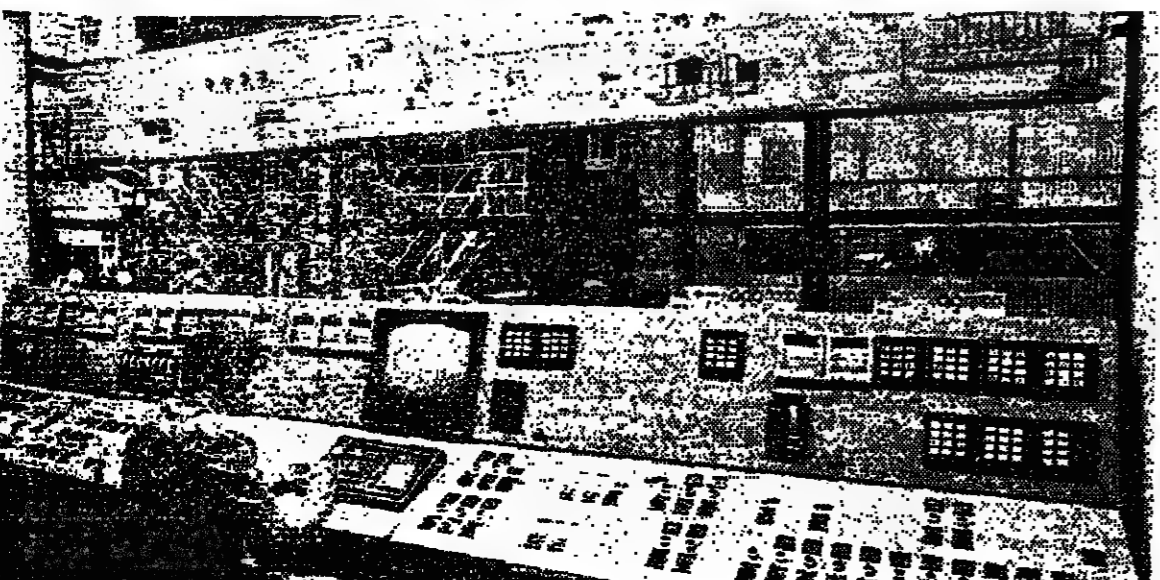
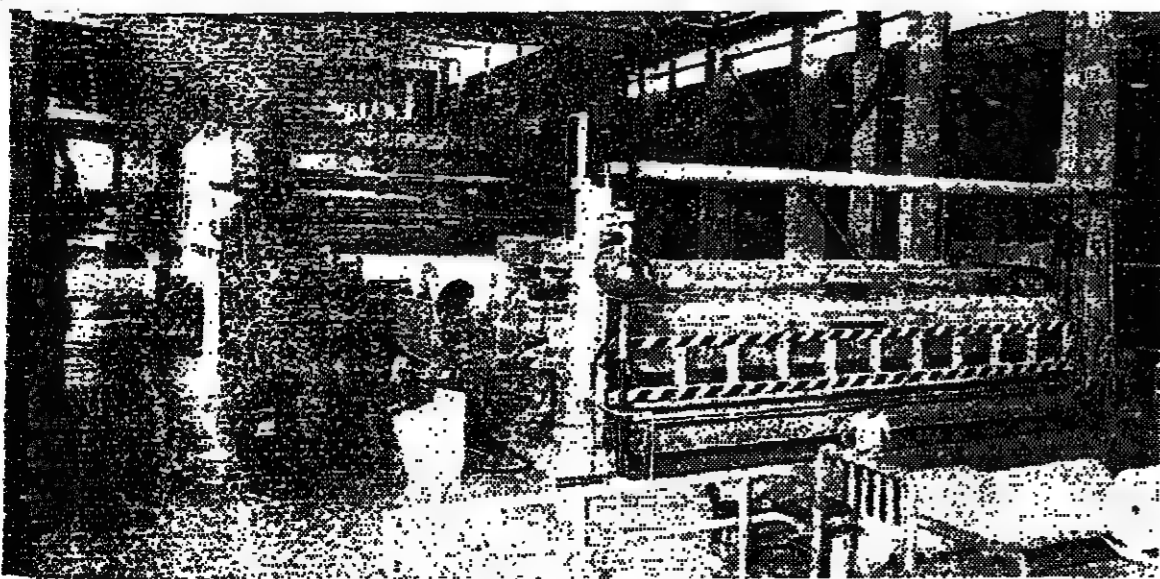
In 1961 Khrushchev, citing the "threat" of such an

continued on next page

# Runnability & printability

## The main concerns of the press-rooms.

When choosing papers, good runnability and printability are the main concerns of press-rooms. UK newspapers have an increasing demand for high quality lightweight paper. Varkaus Papermill offering substance ranges from 25 to 49 gsm, is a big supplier to press-rooms.

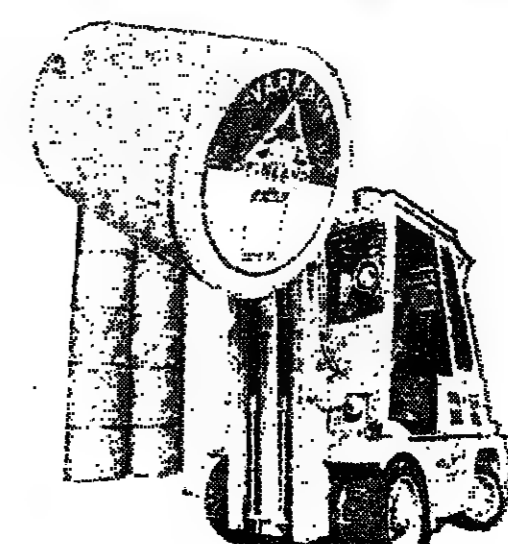
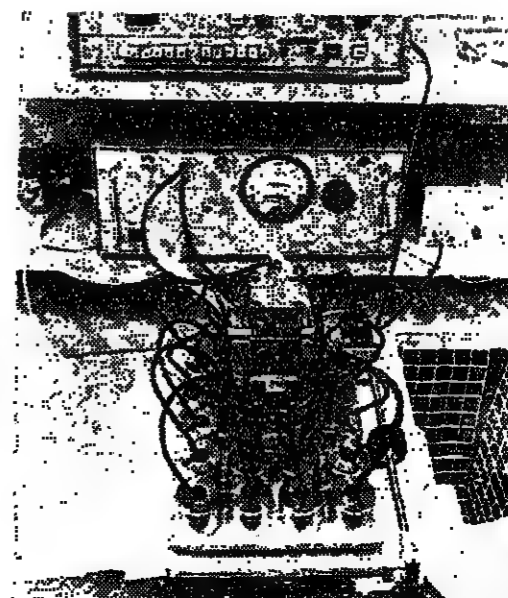


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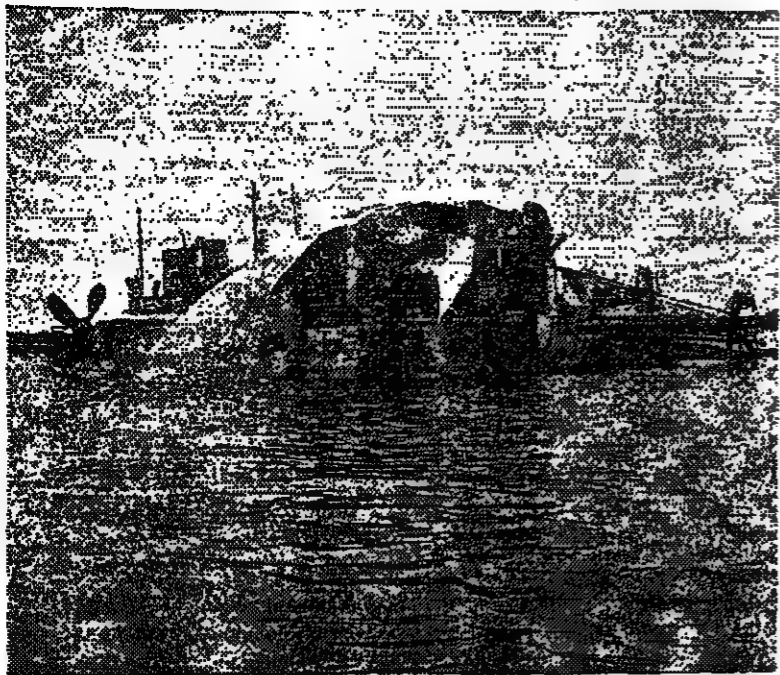
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The leader in Finnish insurance.

Olli Kivinen discusses the policies of two presidents—the present, holder of the office, Mr Urho Kaleva Kekkonen and his notable predecessor, Mr Juho Kusti Paasikivi, who came to terms with his powerful eastern neighbour

## A strong man in Paavo Nurmi's land

Unlike his predecessor, Dr Urho Kaleva Kekkonen was not a generally accepted choice for the presidency in 1956. On the contrary, he won the presidency by the narrowest possible majority and he was by far the most controversial of Finland's politicians.

Dr Kekkonen, born in 1900 in the north-eastern province of Kainuu, is one of the new breed of Finns whose active life began after independence was won in 1918 and who were not involved in the struggles of the last years under Russia. Thus he can be seen as a personification of new Finland. He went during his younger years through a period of intense nationalism in the intellectually dominant Academic Karelia Society and supported a strong war effort against the Russians in the early years of Finland's participation in the Second World War. His transformation to the realism preached by Paasikivi began during the war when he was already an influential politician and writer.

He was to become a dominant force of the last years of Paasikivi's presidency when he was several times Prime Minister. He also became an ardent supporter of the Paasikivi line, even to the extent that after a couple of years after the beginning of his presidency the name of this new foreign policy was changed into Paasikivi-Kekkonen line. Not without reason, because the change to active neutrality was initiated by President Kekkonen.

The length of Dr Kekkonen's tenure in office, 21



President Urho Kekkonen, after a period of intense nationalism, adopted his predecessor's pragmatic policies towards Russia.

years by now and more to come, since he is likely to be re-elected in January, has led many Finns to search for reasons for this. Is it, as his opponents say, that he has cut down all opposition to do the Finns really want to hang on to him as a safe haven in the turbulent and fast changing world where this need for a strong leadership together with the President's obvious willingness to remain in power form a perfect synthesis. It must be noted that history does offer a lot of examples of the Finns' desire to find strong leaders after the end of a war.

In the beginning of his presidency Dr Kekkonen provoked passions which were so strong that few could believe that they existed in calm and sober Finland. He is still hated and revered, and at both ends successes are frequent.

His fiercest opponents

claim that he is selling the country down the river and Soviet tanks can be expected in Helsinki's streets any day. His most ardent courtiers are making him into a near saint whom Finland is to thank for everything good, and some statements praising him do not differ much from Eastern personality cults.

Those extremes are, however, confined to a small group. A clear majority of Finns have accepted him as an unusually strong leader—he was first a minister in 1936—and his popularity has grown steadily even among those who opposed him earlier.

He was the great divider in Finnish politics with whole parties breaking up or being created solely because of different opinions of him and even now this debate has not calmed down.

President Kekkonen has all the ingredients needed to make him a popular person in Finland. His background is modest, and he offers a real example of the great equality achieved in Finland.

He is also an active sportsman, whose physical fitness is legendary, even though he is 77 years old, no mean achievement in Paavo Nurmi's and Lasse Viren's land. Furthermore, the President feels notably at ease when he meets ordinary people during his frequent trips inside the country.

His whole person is typically Finnish and fits the image of Finland: a slightly rough, hard driving country which in spite of many years still looks for elbow room in the world which has never treated it too softly.

## Cunning old capitalist saved the day



President Juho Kusti Paasikivi, described as Finland's greatest statesman in war and peace, died in 1956.

When Finland lost its war against the Soviet Union the man chosen to pick up the pieces, Juho Kusti Paasikivi, was theoretically the most unlikely choice. He was the leader of the Conservative Party and the prime example of an arch capitalist.

The year 1944 brought an end to a generation's way of thinking and to policies based on dealing with Finland's giant eastern neighbour with arrogance and force of arms. The whole capitalist system was in danger as victorious Russians advanced on all fronts towards the west. The local communists, who had been suppressed for years, found their power under the Allied Control Commission dominated by the Soviet Union. But even so, the Russians wanted to deal with Paasikivi: the only Finn they could trust.

As it turned out, the cunning old capitalist who was in charge prevented Finland from going the way Czechoslovakia went in 1948. Strangely, even this did not end Paasikivi's standing with the Kremlin.

History may show one day that the Russians were right in believing that Paasikivi was strong enough to persuade the Finns to love instead of hate their eastern neighbour. Paasikivi knew that the Russians wanted to ensure the safety of their north western border, and he convinced them that friendship was more likely to achieve this than force, because the Finns had shown they still had much fighting will left if it were needed.

He was an ardent supporter of monarchy. He could not see any of his politician friends as head of state, "because we have all been drinking together", he said.

In the early 1920s, however, he headed the Finnish delegation that negotiated the peace with the Russians. This peace was derided by extremists as a surrender.

His diplomatic skills were needed once again in the eve of the Second World War when he was once again sent to Moscow to negotiate with the Russians, whose demands were turned down—a rebuff that contributed to the causes of the legendary Winter War. He also served as ambassador to Moscow in the peace period between the Winter War and the Continuation War which began in the summer of 1941.

In 1944 Paasikivi was called on to serve as prime minister and in 1946 as president. He remained the dominant force during Finland's difficult years until 1956.

That period of nearly 12 years was crucial for Finland: serious economical and political dangers, among them a communist takeover attempt, were thwarted and a new foundation for the independence built from scratch. Paasikivi, by now a moody and surly old man, played a decisive role. His political opponents charged once again that he courted the communists and the Russians, but in the end his line prevailed and Finland, against long odds, remained an independent democracy.

to criticize others been abandoned: southern Africa, where what is regarded as a departure from all reasonable standards, is found abhorrent. Last September Finland, with its Nordic neighbours, called for widened economic measures against South Africa and expressed willingness to "facilitate peaceful solutions in Zimbabwe (Rhodesia) and Namibia", an initiative since overtaken by events. Experienced in peacekeeping, Finland is prepared to contribute troops to a United Nations force in Namibia.

## Minnow in a whale's vision

continued from previous page

attack, invoked the joint military consultation procedure. But once President Kekkonen had given a warning of a growing "war psy-

chois" in northern Europe, Khrushchev dropped the idea, knowing that Finland was only one sensitive spot in the broader arena of international relations. Since then all discomforts have been avoided. Relations with the Soviet Union were reinforced last May by an economic development programme terminating simultaneously with the friendship treaty. The whole basis of foreign policy has been shaped through nearly symmetrical black-and-white association with the EFTA cradled against concessions on trade with the East; free trade with the EEC for co-operation with Comecon; identical dealings with the two Germanies.

Finland has played host at the preliminary consultations and two sessions of the European Security Conference, and, as Mr Paavo Väyrynen, the 31-year-old Foreign Minister observes: "The decisions we have made have gained general recognition and approval." Mr Max Jakobson, a former ambassador to the United Nations, points to the stable and established pattern of relations in Europe, in particular the German issue, saying: "Finland's position is fixed more firmly than ever before. In Europe traditional foreign policy issues were solved before people occupied with national economies."

Yet some suspicious, aroused by the sinister word "Finlandization", are bound to linger. Some commentators argue that independence is being chipped away, slowly and barely perceptibly. Published estimates lead critics to expect an increase of the Soviet share of Finland's trade from about 20 per cent in the present five-year period to about 28 per cent in 1980. But this would come about only if there was no growth in business with the West—a most improbable prospect. Similarly, though Finland is relying heavily on Soviet fuel and technology in raising the nuclear share of its energy capacity to a projected 15 per cent in 1985, it is diversifying its sources of oil supply away from the Soviet Union.

Sceptics note that pro-Soviet propaganda has probably been "enjoying freer circulation than that from any other source. Yet in such a westward-oriented country this may be counter-productive. Fears that the sixtieth anniversaries of the October Revolution and Finnish independence, historically-linked events, would be jointly celebrated at a more level proved unfounded: the main effort being confined to the Finnish-Soviet Friendship Society.

Another pessimistic view claims that Finland, ever ready to adopt an accommodating attitude, anticipates Moscow might think on international as well as bilateral issues. This, however, overlooks the skill with which the Finns, starting with their spell of autonomy under the Tsars, have mastered the art of gestures which placate the Russians but carry a clear refusal to kowtow.

Ploughing their lonely furrow, the Finns have followed a consistent line of neutrality that recognizes realities; President Kekkonen has called neutrality

his lifework. Several observers have been worried by Moscow's apparent reluctance explicitly to add its own endorsement: "Neutrality" is the word looked for in communiques.

That covering the President's visit to the Soviet Union last May helped to allay apprehensions: "Finland's foreign policy... is the result of the Treaty of Friendship... contains Finland's endeavour to apply a peace-loving policy of neutrality." In East Germany in September the "Erich Honecker" stated that Finland, in pursuit of her peace-loving policy of neutrality, contributes to the strengthening of international security.

The question might be irrelevant but for the store now set upon neutrality by public opinion. In contrast, the hard-core communist minority (6 per cent of the electorate) wants an alliance with the Soviet Union. De-riding neutrality, it sees the treaty as the sole motivating force for Finnish policy.

The far right has its fringe, represented by at least three of Dr Kekkonen's four opponents in the forthcoming presidential elections. Harboured anti-Kekkonen grudges and existing rusty sabres, they imply that policy to the East is, or could be, a sell-out.

In between lies the broad spread of the six big parties from Conservative to revisionist Communist—which have instructed their people to vote for Dr Kekkonen. The one strand uniting this motley array is foreign policy. Since this secret won 80 per cent of the vote in the 1975 general election it is inconceivable that the President will not be re-elected.

The agreement is so unambiguously overwhelming and the pragmatic Paasikivi-Kekkonen line has borne so much fruit (since the return of the Porvika naval base and Finland's admission to the Nordic Council and the United Nations in 1955-56) that those naturally given to a critical approach, including journalists, seem complacent by the lack of substance issues to attack. They publicize vindictive anti-Kekkonen statements or magnify incidents which would elsewhere be decided trivial.

Since the Helsinki conference there have been some scattered examples of what Mr Jakobson calls "verbal exercises and theological questions". Hiding behind the pseudonyms Barstover and Kuvio, semi-official Soviet authors produced a study which appeared to indicate that Moscow had unilaterally extended the friendship treaty's geographical scope and wanted to speed the military consultation mechanism. Mr Väyrynen's comment is: "What really matters is not books, but agreements and communications between the Governments."

Since his proposal for a nuclear-free zone in Northern Europe in 1963, President Kekkonen has been regarded by some Scandinavians as a maverick with antennae keenly tuned to Moscow. Perhaps they felt vindicated when an Oslo newspaper "leaked" a conversation he had with Norwegian leaders in September 1976. He was stated to have expressed qualms at the introduction of West German troops into Nato exercises in Norway, an implied threat to the core of Nordic strategic balance. The storm blew over

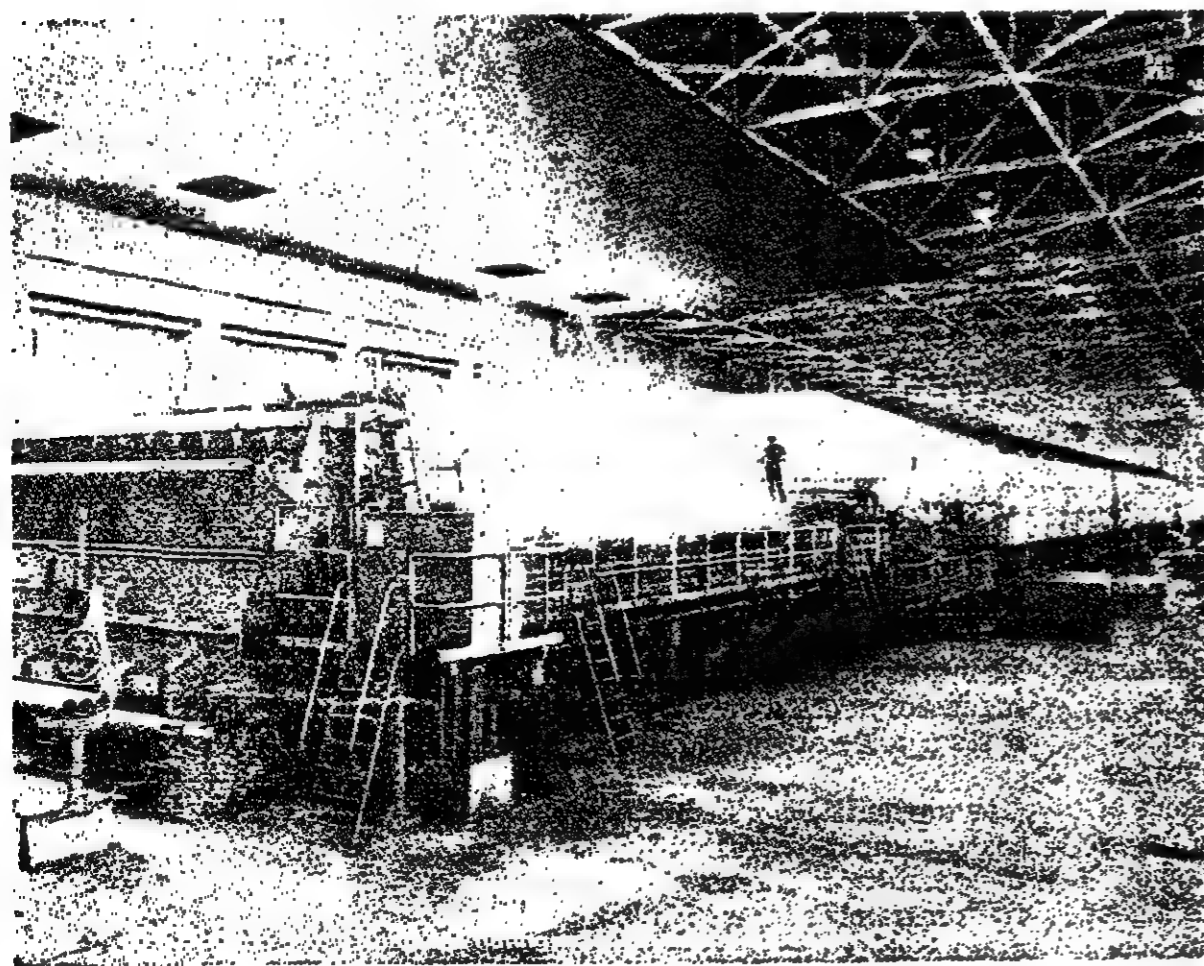
with Norway upholding its line and vaguely promising to consider Finland's feelings.

Within Finland it is considered that a modicum of "self-censorship" exists; allegedly, many writings which might offend Moscow or upset Finnish-Soviet relations do not get into print—except, perhaps, in Sweden. Professor Keijo Korhonen, a political historian who is now a senior foreign ministry official after a stint as minister, notes the ambiguity of the question: "There is a certain censorship in all human relations,

but Finland is an open society where you can write what you want. It is up to individuals what sort of article they adopt."

This line is echoed in a dispassionate approach to the human rights clauses in the Helsinki Declaration. "Relationships between individuals and the state are understood in different ways, and changes are not quick", says Professor Korhonen, emphasizing the generally favourable trend rather than the sharp polemic of the Belgrade review meeting.

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## Cooperation with communists steers clear of French failures

by Olli Kivinen

Stability can hardly be described as common in Finland's internal policies—as the country has seen 60 governments in as many years of independence. The multi-party system is one contributor to this record, but the split in the strong social democratic and communist parties has also led to instability.

In the 1960s the Communists came out of their permanent opposition which began at the end of the 1940s after they were not able to use the postwar turmoil to make a revolution.

The Communist participation has become a normal

factor in Finland's policies. They have joined three coalitions and are at present part of the centre-left coalition government led by Mr Kalevi Sorsa, of the Social Democratic party.

Communist participation has meant an extension of centre-left cooperation towards the left but it has also meant that the split in the Communist Party has deepened considerably.

Earlier the Social Democrats and three centrist groups were fated to govern Finland. The Communist

participation in coalition work is very much the brainchild of President Urho Kekkonen. He does not want to see the Conservatives, who earlier opposed him bitterly, in the Government, not

even now that the Conservatives have made a turnaround and supported his reelection.

During the present recession the Communists have remained a loyal coalition partner even though they are forced to prop up the capitalist system. This has benefited the opposition, but it has also calmed down political storms in the country and made the Communists more acceptable as a political party.

Mr Kalevi Sorsa, the Prime Minister, is perhaps the leading authority on coalition politics as a Communist

partner as he leads for the second time a coalition which includes them. Speaking about the

cooperation on wide-ranging common programmes or electoral unions. On the contrary we emphasize complete ideological and programme independence of our party and also that our party remains an independent alternative for voters.

"We feel that attempts to write long-term programmes inevitably leads to disagreements. The longer the time span the more suspicious the 'ideological porridge'."

This is why we have decided to aim at cooperation in firm reforms when parties can agree on common goals. The practical outcome of this kind of cooperation is the writing of the government programme when a coalition government is formed.

"We do not base our cooperation on wide-ranging

operation not only involves the cooperation of the left Eurocommunists as their political centre. It has been like this always when the Communists have joined their ministerial posts for coalition cooperation. The basis for cooperation is wider than in France and resembles more closely the *compromesso storico* pattern with the difference, however, that in Finland the Social Democratic Party is clearly the biggest and that also the three parties in the centre form a power stronger than the Communists."

The Finnish communists avoid using the word Eurocommunist because in their internal fight this could lead to setbacks for the moderates. It is, however, fair to

call them at least Finnish local government and parliament. Pragmatic policies form pragmatic politicians.

They are realists because anyone who bears responsibility cannot long remain radical as the difference between revolutionary ideology and reformist praxis grows too wide and the ideology has to give way. This has happened to the West European parties and on many matters to the East European communist parties in power.

In Finland this can be seen particularly in that communist participation in government has rapidly decreased the tendency for extra-parliamentary activities even though the hard-line party in reformist directions.

Most revisionists have for the past 10 years preferred government participation because it gives them an opportunity to advance their reformist policies. At the same time they hope that government cooperation helps them by moving the party in reformist directions.

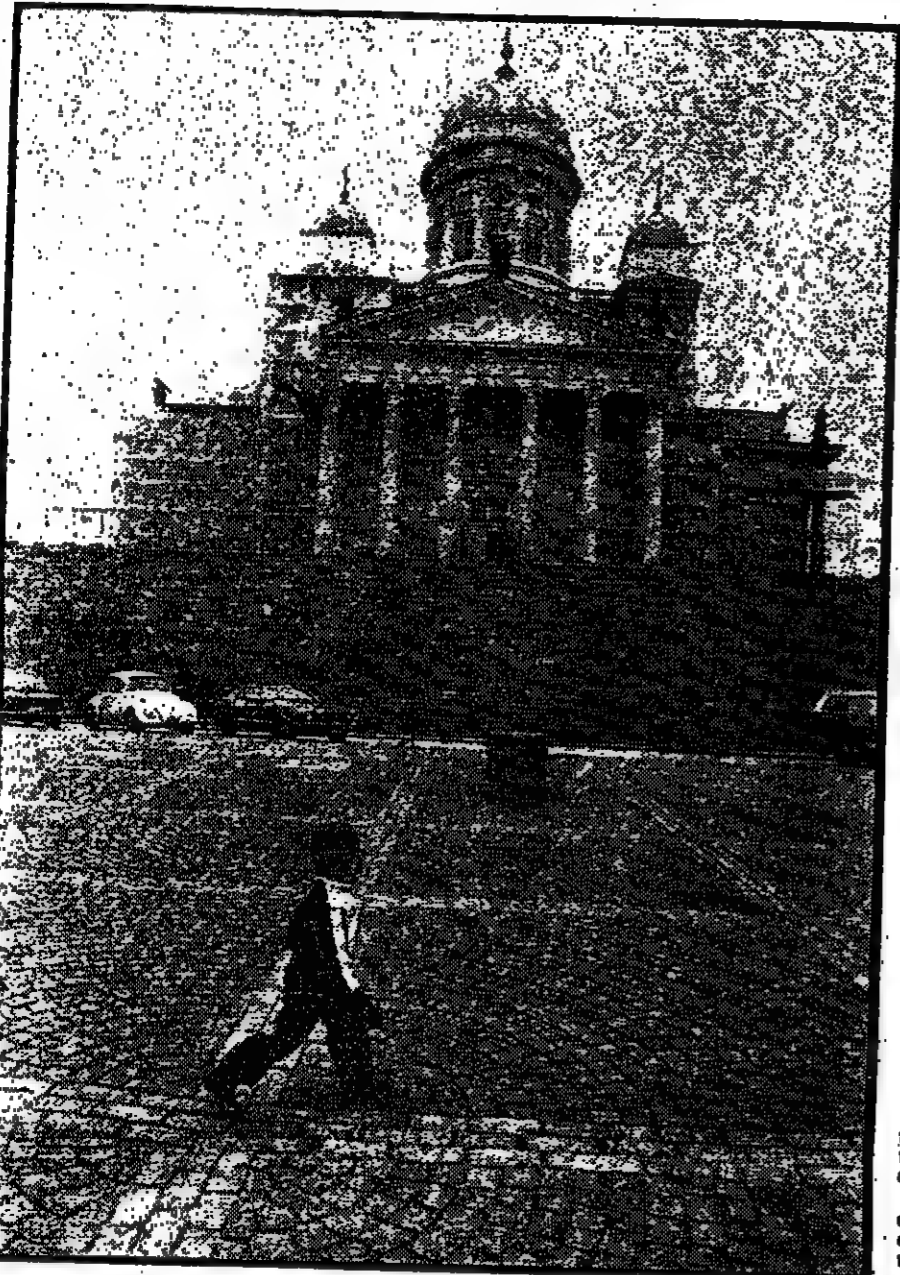
One thing about the Finnish example of communists in government is certain; it has not helped the party's attempts to heal the deep split into the "majority" headed by the moderate chairman Mr Aarne Saarinen and the Stalinists or Taistoists, as they are commonly called after their leader Mr Taisto Sinisalo.

These big parties have influenced in many ways political developments in their countries by sharing respon-

sibility with trade unions, local government and parliament. Pragmatic policies form pragmatic politicians.

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Tuomiokirkko Cathedral in Senate Square, Helsinki.

by Ronald Pullen

Three years of hard labour for the Finnish economy as a whole has inevitably left its mark on the banking sector, the more so because with precious little room for manoeuvre under a singularly stiff monetary policy the banks have been first in the firing line of government measures to close the yawning current account gap and curb inflation.

With the backdrop of a weak economy, the banks have had to forgo any plans for expansion since their lending base has been constricted by tight credit control conditions and the deposit base has been hamstrung by the sharp drop in the propensity to save in Finland.

Commercial banks in particular have found themselves in a cleft stick since they have had to put high priority on cutting back their excess borrowing from the central bank to protect profitability, which fell sharply last year as a result of the penalty rates of interest charged by the Bank of Finland. At the same time the Finnish banks are trying to meet their obligations to industry with whom they traditionally have a close working relationship.

Coupled with wage and other cost pressures, the overall picture for the past two years has been one of shrinking commercial bank profitability.

Liquidity, too, has been severely strained over the

past two years. Although cash reserve and solvency ratios are well within the minimum requirements of the 1969 Commercial Banking Act, both the commercial banks have gone in for fund-raising exercises. Kansallis-Osake-Pankki (KOP) in 1975 launched the biggest equity issue in Finland raising Fmk24m and both KOP and Union Bank of Finland have made United States \$30m Eurobond issues this year.

There is some pressure on the Government to loosen the monetary strings and indeed the September devaluation package did include a 1 per cent cut in the discount rate and accompanying reductions in other lending and deposit rates. But the Finnish economy has so far stubbornly refused to respond to the medicine. The high inflation and unemployment makes it likely that the banks will have to live with a tight monetary regime for some time to come.

Moreover, the Government has little scope to increase further the level of personal and corporate taxation without rendering their already short lives even more ephemeral. The emphasis, therefore, is likely to continue to be laid on monetary policy. Indeed, the Bank of Finland has gone to some lengths to spell this out.

With a fairly small national debt to play with, the absence of other monetary instruments like Government bills and the small amount of state bonds compared with the assets of the

banks, the chief means at the Bank of Finland's disposal to impose its will on the banking system is the fairly direct one of determining the terms on which it will lend to the commercial banks.

For their part, the lack of a developed money market and a strictly controlled call money market means that the commercial banks have only two sources of funds—personal deposits or the central bank. For the past three years the commercial banks have been trying to adjust to the progressive lowering of central bank quotas and the credit it will allow.

In October, 1975, faced with an acute balance of payments crisis, the quotas were reduced from Fmk2,800m to Fmk2,500m. In July last year they were further cut to Fmk2,300m and this year they have been lowered in two equal stages to Fmk1,900m although this has been due in part to a need to soak up excess liquidity in the system as a result of the dismantling of the import deposit scheme.

The basic rate for central bank funds has been 9½ per cent for the past four and a half years but once the commercial banks exceed their limit the interest rate rises steeply to a maximum rate of between 25 and 30 per cent. As this cannot be passed on to customers the banks have cut late profits to the extent of Fmk100m in 1976.

This year, however, the burden will have been re-

duced as the commercial banks have been given added incentives to adjust their borrowing to commercial targets and profitability will be greater to the extent that they have managed to do this.

Apart from the quota system the central bank has a battery of other controls over the banking system, including qualitative guidelines on who should be allowed to obtain credit. The guidelines in force at present emphasize that credit should be granted only to satisfy working capital needs of industry and that in general loans to non-productive investment, consumption and service industries should be curtailed.

The Bank of Finland also keeps rigid control over foreign borrowings, which continue to be steadily contracted. Short-term credits are still widely permitted, but long-term foreign credits and short-term financial credits are allowed only on a case-by-case basis.

Yet there is more to the banking system than just the commercial banks, even if they do account for 37 per cent of total deposits and are responsible for the lion's share of foreign trade financing.

The second most important category is the 280 savings banks, followed by the 380 cooperative banks, which account for 27 and 22 per cent respectively of deposits. The smallest group is the state-owned banks with 14 per cent of deposits. More on the fringe are the

half-dozen mortgage credit institutions, the insurance companies and development credit institutions which have a role in the financial markets but do not carry out all the usual banking functions.

While the commercial banks have been hit by the drop in time and demand deposits to the extent that growth last year was only 5 per cent, the smaller groups have fared rather better with the savings banks enjoying a 13 per cent growth in deposits last year and the cooperative banks 15 per cent.

Similarly other financial institutions have done better on the lending front with insurance companies and development credit institutions pushing up their fifth year although the mortgage institutions managed only 11 per cent because of the difficulty they have in raising funds abroad or on the domestic bond market.

Faced then with stunted prospects at home Finnish banks have been increasingly turning the account on overseas development. The Osuuspankkien cooperative bank has a 2.55 per cent stake in London & Continental Bankers, a London-based group of a dozen European cooperatives mainly involved in managing international loans, and further moves in this direction are expected. The two main commercial banks, KOP and Union Bank, are also putting rather more effort into expanding and diversifying their international base. With the likelihood that the Bank of Fin-

land's control of foreign credits is likely to be a long-standing feature, there is a premium on other banking operations linked with foreign trade.

For Union Bank the main development of the last year has been the establishment of a wholly-owned subsidiary in Luxembourg, Union Bank of Finland International. As well as helping to finance Finnish trade and investment projects, the subsidiary is heavily involved in the syndication of international loans. In addition to representative offices in the main financial centres Union's chief involvement is through its affiliates, Scandinavian Bank in London and the Geneva-based Banques Scandinaves en Suisse.

KOP's overseas operations also lay the main emphasis on assisting the export effort of Finnish companies. The most important link is through the London-based Nordic Bank, which has recently been expanding in Singapore, as well as carrying out a share of the increasingly important leasing market by setting up a subsidiary in Amsterdam.

Elsewhere, all the above-mentioned commercial banks have a growing involvement in Eurobonds, although for the past 18 months their share of the market has been limited by the fact that fewer Finnish companies have used Eurobond financing—there were only eight issues in 1976 compared with 13 the year before.

The author is Banking Correspondent, The Times.

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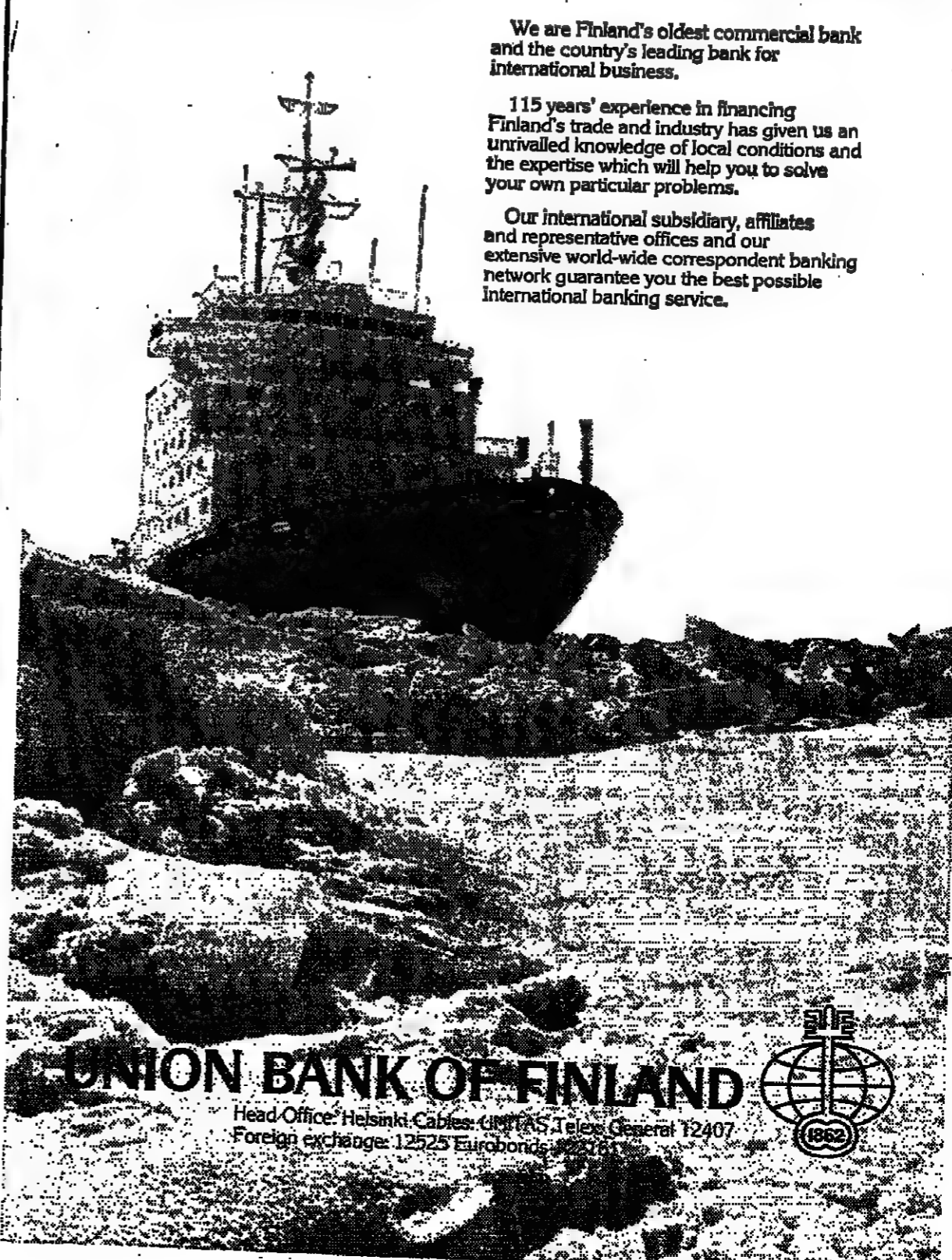
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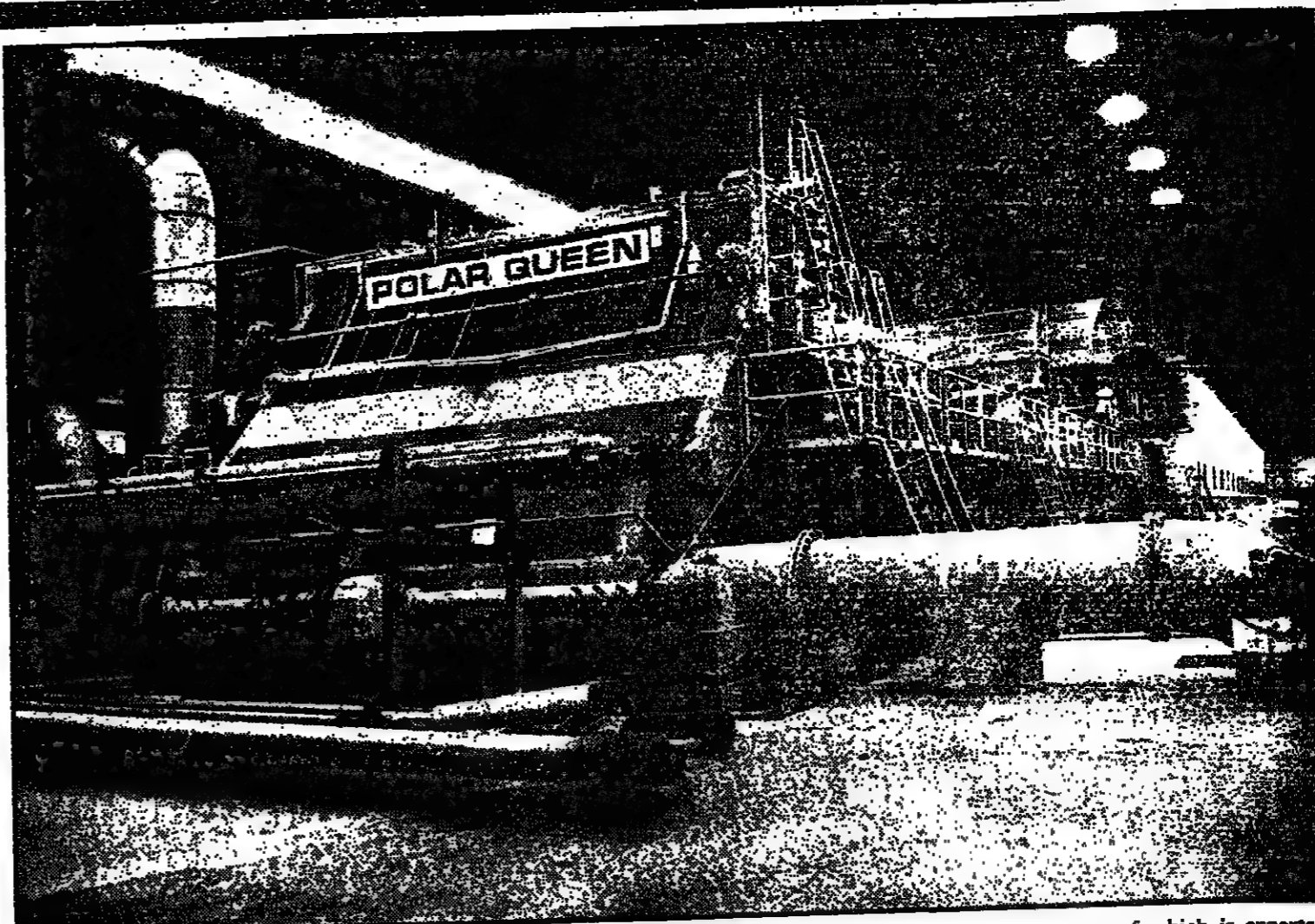
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One of the largest kraftliner machines in Europe, operated by Kemi in northern Finland. The product, most of which is exported, is used in cardboard boxes and last year the machine operated at 85 per cent of capacity.

## Wood processing experience pays off in world markets

by Edward Townsend

Three of Finland's biggest paper machine builders, Tampella, Valmet and Wärtsilä, last year concluded a deal with the Japanese that marked another step forward in the business of exporting the considerable experience of the Finnish wood processing industry.

The agreement between TVV—a joint marketing and product development company—and Sumitomo Heavy Industries gives the Japanese the right to manufacture under licence all types of paper and board machines made by the three companies, who have also undertaken to train Japanese engineers.

The contract reflects the impact that world economic recession has had on the direct export from Finland of capital equipment. New orders in the past few years have become increasingly scarce and to maintain their position as one of the world's leading suppliers of hardware and expert knowledge, the Nordic pulp and paper machinery makers have had to resort to licensing and collaboration agreements.

It is estimated that within the next few years about one million tonnes of new capacity will be installed in Southeast Asia with consumption of paper and board in the region expected to rise from 10 million tonnes to 22 million tonnes.

With Finland responsible for 15 per cent of annual world paper output and with forest products accounting for almost half of Finland's exports, it is not surprising that the country has developed and equipped itself with the best machines—from forest tractors and haulers up to the most advanced paper mills.

But the speed with which the Finns have expanded their supremacy has been exceptional. In the past 15 years or so, after the modernization of its own forest industry, the Finnish machinery makers had spare capacity which could be fully used in the long term only by selling abroad.

The Finns' own experience building large integrated pulp and paper mills, coupled with the building of roads, water supply and environmental control systems, has enabled them to offer complete package deals to prospective customers.

This has led to a great growth in engineering consultancy work, the leading and best known company being Jaakko Pöyry. It was established only 19 years ago as a two-man operation and is now a household name in the world's forest processing industry.

Among its customers are governments and United Nations agencies as well as commercial enterprises.

It is estimated that about 7,000 are employed in the Finnish technical consultancy industry (1,000 of them by Pöyry) of whom more than 70 per cent are with companies whose main concern is exporting.

In recent years about a tenth of the extra capacity planned for the world's pulp and paper industries has been the work of Finnish engineers.

Finland's consulting engineering firms are still minnows, however, when it comes to competing with international organizations and consequently some have joined forces to form consortiums. One of the biggest is Finnconult which comprises 14 companies and has specialized in projects for developing nations.

For example, Finnconult reached agreement in September with Ghana State Investment Company to con-

duct research on forest resources, find suitable sites for a paper mill, determine profitability projections and plan the development.

The research period is to take up four months after which the Ghanaians will decide whether to go ahead with the Fimkes320m paper mill investment.

The consultants will also estimate the possibilities of starting particle board production, carpentry and furniture industries in Ghana.

The TVV group, which employs 3,500 and has a joint annual turnover of Fmk550m, has built or modernized about 150 paper and board machines. In the past few years its world share of new paper and board machine capacity has been 15 per cent.

Scandinavia, the United States and the Soviet Union

have been TVV's main markets with continental Europe and Latin America taking a fair share of machines. In the next 10 years the group expects to be selling more to developing countries including Brazil, Argentina, Gabon, Zambia, Tanzania, Nigeria and in Asia.

According to Mr Aaro Rissa, managing director of the TVV paper machine group, "expansion of sales is vital. Our clear objective is to operate globally. We must gain a foothold in the areas belonging to different markets and trade combinations."

With world paper consumption expected to grow by 3 or 4 per cent a year, about 150 new paper machines will be needed and in the long term, TVV reckons to be able to use its member companies' engineering works at least at the present level.

An interesting and important example of collaboration by Finnish firms is the deal announced in August, involving the establishment of a thermo-mechanical pulp mill and paper making facility in Russia initially worth almost Fmk300m.

Valmet is to supply machinery and instrumentation for the 180,000 tonnes a year paper mill which will have the widest machine and the largest magazine printing paper capacity in the world. United Paper Mills is to supply the TMP machinery, Scromberg will provide the computer control systems and electric drives. Wärtsilä the paper finishing machines.

At home, the Finnish forest products industry has invested large sums in recent years reequipping and

modernizing. Specifically, this has resulted in an extra 400,000 tonnes of pulp-making capacity, more efficient and faster paper machines, improved forestry machinery and environmental protection techniques.

Given its cost problems, the Finnish industry should be well placed to exploit its technological excellence during the coming decade. And there seems to be less uncertainty now about available wood resources. The latest forest inventory indicates that there should be sufficient raw material for a moderate expansion of output up to the end of this century as long as intensive silviculture is continued, better use is made of residues and there is a concerted attempt to use stumps, roots and branches for chipping.

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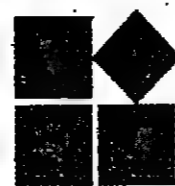
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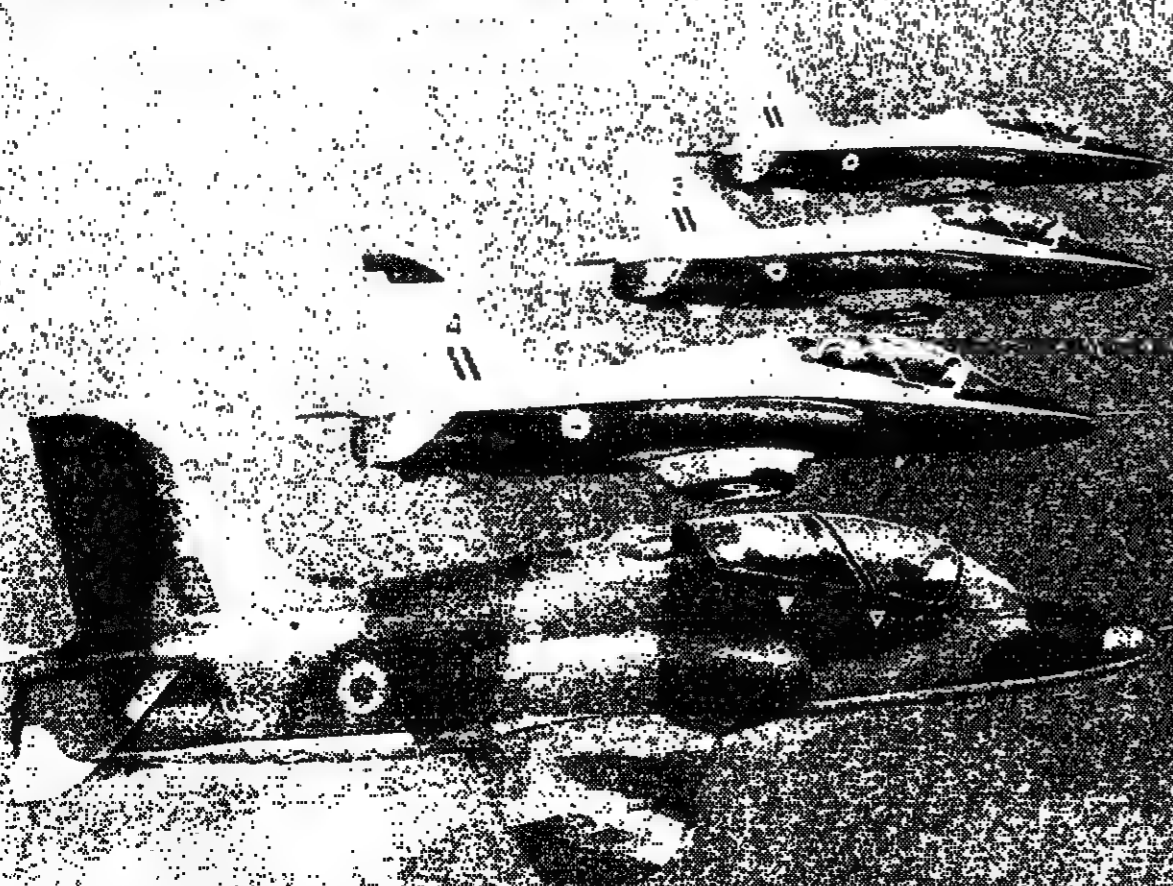
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## Finns jet around in their time machine

Last month Michael Frenchman spoke to a wide cross-section of businessmen to find out what efforts are being made in the private sector to bring Finland out of its economic decline. Until the energy crisis, which in some ways is the best thing that has happened to Finland, most companies adopted a passive attitude to development and sales. Now the pattern is changing and more and more Finns have been forced to come out into the world and to develop export markets, particularly invisibles.

In the business world a new kind of person is developing — the "time man". As one consultant put it: "We sell time, that's our product, but it is also our biggest cost." Time is consultancy and in the past three or four years Finnish consultants have been carrying out a growing revolution in exports. From South America to Saudi Arabia, from Afghanistan to Zambia, the quiet Finns are to be found giving advice on building anything from waste disposal plants to military barracks, hotels and pulp mills. In the Soviet Union and a ship repairing yard in Vietnam.

"We feel it is in our company's interest and in the national interest to go abroad, but we are afraid to go outside."

—Norman Westerberg, vice-president of EKONO (energy consultants)

All this represents a change from the past when the country had relied on the traditional forest industries — timber, pulp and paper — for the bulk of its exports. But because of the energy crisis and a decline in the economy of Western Europe, demand for the forest products fell.

"The situation was exacerbated by many new mills coming on stream after an intensive capital development programme in the forest industries which led to severe overcapacity in both pulp and timber sectors. Furthermore, what amounts to 'dumping' (according to some Finns) of North American, particularly United States, pulp and paper products in Europe has severely handicapped both Swedish and Finnish forest industry producers."

"We sell time, that's our product, but it is also our biggest cost."

—Juha Suonenlahti, managing director of Finnconsult (a consultancy group)

With some mills about to go on to a four-day week and few operating at more than about 65 per cent capacity the situation is grim and does not look like improving for some time. The only glimmer of hope is in the sawmills division where exports to Britain, the main market, should pick up after an expected improvement in the housing position next year.

Typical of the position that some mills find themselves is Kemi Oy at Kemi

in the north of Finland, just below the Arctic Circle. Some Fmk\$57m has been spent on a four-year modernization programme, but the final stage has been postponed until 1980. It is one of the biggest and most modern timber mills in Europe but production capacity has been reduced from 300,000 cu metres to 200,000 cu metres because of shortage of demand and also of raw materials.

"Kemi" timber is well-known for the superior grade of heartwood. Trees from the north, which are slower to mature than in the south because of the climate have slightly more knots but contain 40 per cent heartwood (the best quality wood in the centre of the tree) than those in the south which only have 20 per cent.

Workers in the saw mill are now on a nine-day fortnight and will soon be going on to a four-day week because of lack of orders. Altogether there are about 2,500 employees in the company, which also has a large Kraftliner paper mill.

Kraftliner capacity at Kemi's new mill is about 250,000 tons a year, but last year total output was about 65,000 tons and this year it will be even lower. Up to the end of October only 33,000 tons had been produced and the total this year is not expected to be more than 50,000 tons. About 54 per cent of production is exported to EEC countries, of which half goes to Britain.

"We have had two months of stoppages in the board industry this year and there will be more as competition from the United States increases."

—S. Grönhaugen, managing director of Finnboard (the board industry's sales organization)

Mr. Mauri Melamies, director of Kemi, believes that 1978 will be the worst year in the history of the company which was begun in 1853. Although gloom and despondency prevail, the timber stock yards are nearly empty and the pulp mill is on slow down, the situation in one direction is changing. Efforts are being made to improve production and the sale of prefabricated holiday-type homes to countries like Britain. These are modestly priced (from about £5,000 plus delivery) log cabins. The factory can produce up to 1,000 a year at present of which about half are the log cabin type.

This is one example of a traditional organization looking for new outlets, a favourite hobby horse of Mr. Uolevi Raade, director-general of Neste, the state

oil concern, who claims that the forest industry producers have only themselves to blame for the position they are in today.

"There is a disturbing lack of incentive for us. We just won't go out into the world and sell. We prefer to walk in the woods and listen to the coming of spring."

—Lars Londen, president of Finnconsult (pulp industry's sales organization)

"They have just not spent enough on product development, they have not looked to the future," Mr. Raade, whose comments are often controversial, declares. From the top suite of his home in Helsinki, known locally as "Raade's tower", his Finnish humour bedevils politicians and businessmen alike. "I am a problem, I am one of Finland's problems," he asserts mischievously. "From where he looks it is clear that Finland must diversify more as far as products and exports are concerned."

"We are changing now as a nation, but it is coming late. We are learning the hard way. It is easier for Neste," and he goes on to explain that with Finland's small stable population of only 4,750,000 it is fairly straightforward to estimate its energy demands. Last year the country imported about 11 million tonnes of crude, more than 60 per cent from the Soviet Union and the remainder, apart from a small quantity from Norway, came from the Middle East. There is not likely to be a significant increase in consumption.

"There must be further devaluation. . . . If the Government had realized our position in 1974, corrective measures could have been introduced to safeguard the pulp and paper industry. . . . The medicine will now be so bitter. Furthermore, the strong influence of the communists in unions creates friction and affects production."

—Caimir Ehrnrooth, managing director, Kaukas (pulp manufacturer)

In an astute move with Thomson Scottish Associates, part of The Thomson Organization, one of the biggest purchasers of Finnish newsprint (some 60,000 tonnes a year), Neste has recently concluded a deal which it is

believed will allow the company to import up to one million tonnes of oil a year for the next three years from the Claymore field, in which Thomson has a 20 per cent interest. This is almost the whole of Thomson's share in the production of oil from this field.

"It is a question of survival. We should do more to export. Few managers see the true situation. We accept everything too easily. We must be forced into a corner before we do anything. . . . Now we are learning, I hope not too late."

—Asko Tarkka, managing director, Huhtimäki, diversified manufacturing group

As far as Britain is concerned the significant factor of the deal is that the contract is for one year longer than the term normally allowed by the British Government for the export of North Sea oil. Finnish sources claim the contract is "evergreen" which presumably means until the field is exhausted.

With assured supplies Neste is embarking on a diversification programme including investment in plant for providing feedstock for the petrochemical industry.

Diversification, not only in products, but in markets and services, is where the action is beginning to show. Finland has always had a high degree of specialized technology covering many sectors from traditional paper-making machinery, logging equipment and tractors, scientific instruments and sporting guns, to ice-breakers and oil tankers. The biggest change in the role of "invisible" exports, such as consultancy services, and in the construction industry which are poised for takeoff especially in the Middle East and Africa.

"We are changing now as a nation. It's late, but we are learning the hard way."

—Uolevi Raade, director general of Neste (state oil concern)

Ekono, one of the country's oldest consultancy groups, whose interest was originally pulp and paper, employs 600 in the restructured group which now specializes in energy problems. Mr. Norman Westerberg, vice-president, said the decision to look for markets outside the traditional countries of Europe was made only five years ago. Now they are active in South Korea with a \$120m pulp mill near Pusan, which will be the first to be built in the country. It was won in the face of strong competition from the Japanese and another Finnish consultancy organisation, Jaakko Pöyry, which was part of a French consortium.

Other projects include a ship repairing yard at Phung in Vietnam, urban plan in Kuwait, design for a cultural palace in Bahrain,

and a traffic planning study in Tripoli. Mr. Westerberg says that Finnish consultants are also looking for opportunities for Soviet joint projects where the customer wants a "Western touch" with such things as instrumentation and controls.

"The market is changing and growing, especially in the Third World countries," Mr. Juha Suonenlahti, managing director of the consulting engineers group, Finnconsult, says. "Tough times have pushed us out into becoming an active group. We can no longer adopt a passive attitude to marketing," he added.

Finnconsult is a private group with the services of about 1,400 technical experts. Its role is purely market hunting. In the past five years overseas turnover has gone from nothing to about 10 per cent. A recent study by the Finnish Economic Research Institute, the activities of 36 consultancy groups showed that in 1970 turnover of the industry was Fmk\$70m of which Fmk\$11.5m came from overseas contracts. In 1974 the figures were Fmk\$207m and Fmk\$36m respectively.

"I am confident of the future. . . . Although there is worldwide overcapacity in the pulp industry the situation will correct itself in due course. . . . There is no need to nationalize the forest industries, we can manage well enough on our own."

—Jorma Korte, president of Pimpap (paper sales organization)

Mr. Suonenlahti is a little critical of some government officials who, he says, do not appreciate the difficulties of working overseas sometimes, "but they are learning." His group is a "multi-discipline organization" and jobs in hand extend from a \$100m housing scheme for 50,000 in Lagos, Nigeria, to bridges and ports in Ghana and Tanzania.

One off-beat economic study has also been done by the group on a remote part of Afghanistan. Finnconsult always follows up enquiries promoted by such organisations as the World Bank, the African Development Bank and the United Nations Development Programme.

But it is felt that often Finnish companies do not get a fair share of UNDP projects. The Finnish Contractors Association represents some 52 companies and according to Mr. Lauri Reumala, managing director, export business is growing at the rate of 25 per cent a year. So far in 1977 it has increased by about one third to \$250m and he expects that figure to double by 1980. He estimates that half of the big contracts are with the Soviet Union and Eastern block countries and the rest with the Middle East. But this year about 40 per cent of turnover from overseas will be coming from the Middle East.

Mr. Reumala believes that more and more companies

will have to form consortiums to bid for the Soviet mining complex at Kostamus, which is worth Fmk\$2,700m. The construction industry was in such a bad way on the domestic front because of over-investment in the public sector which he considered to be one of the root causes of Finland's economic troubles today.

Too many houses had been built and last year there were 5,000 still empty in the southern half of the country although this figure had now fallen to 2,500. Because of lack of movement on the home front, contractors had been forced to look for new opportunities.

"The situation is bad and 1978 will be our worst year ever. We're going on to a four-day week. In the spring about a thousand workers were laid off for two weeks. In the town (population 30,000) there is about 10 per cent unemployment."

—Mauri Melamies, of Kemi Oy (timber and pulp mills)

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The changing fortunes of four vital industries—pulp and paper, engineering, iron and steel, and shipbuilding—are examined on this and the facing page

## Recession now accepted as normal state

by Edward Townsend

There is, according to one leading executive in the Finnish paper business, "a new philosophy" in the country's most strategically important industry. It comes from a realization that what two years ago was "a chronic recession" has become the norm.

World demand for pulp and paper products will continue to rise—that there is no doubt—but the rate of growth has slowed to such an extent that there seems little immediate prospect of a return to the buoyant conditions of the early 1970s. The Finnish pulp and paper industry is now at the end of a third slump year and there are no signs of a rapid change of fortune. The wood processing sector made estimated losses of Fmk2,000m last year and looks like suffering to the same extent in 1977.

Ever-rising costs, domestic economic difficulties, overcapacity, over-maintaining and fierce competition from the North American producers on the European market

have left the Finns gasping for breath this year and resigned to a continuous run-down of their valuable pulp and paper output.

Finland's mills have been shedding 10 to 15 per cent of their labour and shutting plants for extended periods in an attempt to streamline their operations and bring output in line with demand that is likely to remain comparatively weak for another three years.

Those companies with diversified activities—in shipbuilding, engineering, vehicles or other manufacturing sectors—have been insulated from the worst effects of the decline in pulp demand. But those largely dependent on pulp, for example, which has fallen in price dramatically in recent months, are facing added aggravation.

The rate of output throughout Finland's pulp and paper mills presents a depressing picture of under-capacity. Major cuts in pulp production with reduced capacity use for 1977 to a record low of about 55 per cent and the delivery rate is estimated to be 60 to 65 per cent for the year.

On the paper front, the country's newsprint mills have been working at between 75 and 80 per cent of capacity with demand remaining stagnant in Finland's best market, the United Kingdom. Machines producing magazine grades have been working at a slightly higher rate and the one bright spot is in the coated paper sector where mills have been operating at almost full capacity. But it has been unusually high demand from the United States for mechanical coated grades and magazine papers that has provided the extra boost rather than an increase of any significance in European demand.

### Fine profit margins a body blow

It is against this background that prices have come under heavy pressure and to the Finnish industry, working to such fine margins, the reductions have come as a body blow. The international pulp and

paper trade is still held bound by the practice of pricing pulp, as a world commodity, in dollars; and paper which largely is made domestically, in the currency of each particular market. Thus, a country's paper mills are forced to buy imported pulp at the going world rate while the price of their products often reflects local market conditions.

This situation has been aggravated in recent weeks by growing signs of a pulp price war in the major Western countries.

In the last three months of this year the Nordic pulp producers have been bludgeoned into a price cut of \$40 a tonne as a result of reductions made by the North Americans.

This follows a price cut agreed by the Swedes and the Finns in the summer, the total effect being to lower the early 1977 price of bleached long-fibre pulp from the Nordic nations from \$415 a tonne to about \$350 today.

At a time of badly strained company finances, cuts of this magnitude are far from welcome to the

harassed directors of Finnish companies.

And the position, the pulp men say, is one-sided. Private farmers, who still own more than 65 per cent of Finland's forests area and 71 per cent of the growing stock, complain that for them to agree to corresponding reductions in timber prices would be "suicidal". Taxation is at such a high level that they would prefer not to sell.

But the pulp producers have been left with little choice if they are to be successful in fighting off the North American challenge to their established markets. Although the Canadians have to ship their pulp long distances to sell in the Scandinavian "back yard" European markets, they have the advantage of cheap wood supplies and cheaper energy.

As the authoritative United Kingdom journal *Paper* said recently: "The cynic may well point to recent developments in Northern Europe, as well as the cuts of 13 to 15 per cent in pulp wood in Sweden, as reasons for maintaining the

status quo, but any advantages that these factors may have will in no way affect the major losses that will be recorded by most companies in the forest products industry this year and probably next."

Costs have bounded in the past few years. Labour, raw materials, energy, the cost of financing losses, as well as ubiquitous inflation and a tight domestic monetary policy have played havoc. It is estimated that to produce unbleached sulphate pulp in Sweden, without taking into account capital costs, now costs about 60 per cent more than at the end of 1974.

### Pulp market protected with fervour

In Finland it is reckoned that 60 per cent of the price of wood arriving at a pulp mill represents wages, transport costs and other expenses. Last year industry sources believe that the "operating cover" for the whole forest industry was less than 10 per cent of

turnover and in many cases was insufficient even to pay interest on loans.

The fervour with which the Finns, in particular, are now protecting their traditional pulp markets is under-standable. In the first months of this year, market pulp production totalled 827,000 tons against 984,000 for the same period of 1976, while total deliveries (including pulp sold to domestic mills) increased from 10,041,000 tons to 1,064,000 tons.

Pulp stocks have fallen by only 88,000 tons since last autumn to a level of about 388,000 tons at the end of September this year.

Of the exported pulp, 67 per cent will go to Western Europe this year, with the United Kingdom taking 18 per cent of total exports and 27 per cent of European shipments. Eastern block countries will buy another 20 per cent leaving the Finns almost completely dependent upon their European neighbours.

Finncell, the sales organization for the pulp industry, estimated that chemical market pulp capacity will increase from 2,100,000 tonnes in 1976 to 2,300,000 tonnes by 1979 with total capacity growing by 300,000 tonnes.

As the sales on the domestic market remain more or less unchanged, Finncell expects the export potential to increase by 120,000 tonnes to about 1,800,000 tonnes. It adds in firm tones, no doubt for the benefit of perennially sceptical paper-makers who are uneasy about the Nordic producers' long-term intentions in the market pulp sector. "The objective of Finncell today, tomorrow and after tomorrow is an active long-term marketing of existing and new capacity to world markets and notably to the United Kingdom which has been, in today and will undoubtedly remain our biggest export market."

In the paper sector, the prices picture remains a jungle. There have been reductions for some grades as demands have fallen off due to the continuing economic gloom in the big consumer nations but not, for example, in magazine grades, a move which one top Finnish paper salesman said would be "a suicide tactic".

The country's paper makers will be happy this year if they can maintain their export market shares. Last year, Finncell, which handles sales of 27 paper mills, exported 2,500,000 tons which was only 13 per cent higher than in the disastrous previous year (1975 has gone down as the worst year in the history of the Finnish paper industry). Last year's exports were therefore almost 19 per cent less than in 1974 and were equivalent to 1971 shipments when production capacity was 900,000 tons lower than today.

Yet in spite of cost and demand difficulties, the Finns have managed to hold on to their all-important United Kingdom market share (about 23 per cent of total export output).

They have also received a boost from the Chinese who this year have begun to buy newsprint and other grades in quantity for the first time since the revolution. And the United States has bought about 30,000 tons of mechanical coated paper and between 100,000 and 120,000 tons of magazine paper.

Newsprint, one of the products which in recent years has been notably unprofitable, has weathered the last year and the Nordic producers, while unable to raise prices, have not been forced to lower them. For the Finns, the relative stagnation of newsprint in the United Kingdom in terms of the amount of advertising received and consequently the size of papers, continues to provoke disquiet.

There is also the perennial problem created by the Nordic newsprint makers' policy of selling at a cheaper rate in the United Kingdom than in the rest of Europe, a differential which has risen this year to about \$30 a tonne. Some United Kingdom newsprint buyers believe that, at an average of £240 a tonne, the Finns have been making profits this year from newsprint while the industry claims that this is impossible at a capacity use rate of 75 to 80 per cent.

### Newsprint has a rosy future

Nevertheless, the Finns do see a rosy future in newsprint and a clear example is the \$100m investment by Ahlstrom, one of the leading paper companies in its Varkaus paper mill which includes the installation of a 120,000 tonnes a year newsprint machine using the newly developed thermomechanical pulp.

The mood of the Finns is possibly most clearly summed up in the words of Mr Olavi Mattila, chairman of the giant Enso-Gutzeit forest products and engineering group, in his last annual report.

The signal of an economic upturn in Finland depended largely on the inflationary trend in its main markets and on the economic development and measures taken in competitor countries. "Exploitation of possible upturn depends both on macroeconomic policy decisions and on internal measures within the company to strengthen our competitiveness to which special attention will be paid in the future. Despite the many disappointments and adversities, we expect that the times will improve slowly."

## Backlog of orders hides decline

Finland's engineering companies had what appears to have been a good year in 1976. With the forest industries stayed in the doldrums, the metals sector turned in record exports with even higher figures expected for 1977.

Traditionally, times of poor world demand for pulp and paper products, it is the Finnish engineering sector—including anything from basic metals to transport equipment, machines and ships—that has come to the rescue.

While forest products, which normally account for half of Finland's exports, slumped to under 44 per cent of the total, the value of the metal sector rose to Fmk8,363m. This was 27.8 per cent higher than the previous year and represented 34 per cent of total exports.

This year it has been estimated that metal exports will increase to as much as Fmk11,000m. But that, as the industry well knows, is only half the story. The world recession has dragged on for so long that all the usual economic yardsticks are becoming increasingly inaccurate.

There is still no sign of a major upward swing in the fortunes of the pulp and paper makers and the clampdown on industrial investment in Finland's main markets is now posing problems for the metals sector.

In the past 12 months, Finncell's last year, 21 per cent up on 1975 and its engineering works operated almost at full capacity. But the value of new orders received was Fmk282m, a big drop on the previous two years. The total order book for Tampella's engineering division had fallen from Fmk739m at the end of 1975 to Fmk687m by last December.

Tampella's Ramrock division, which makes rock drilling equipment, is a prime example of how Finnish engineering ability has been developed and been sold widely abroad in recent years.

Tamrock was established eight years ago and last year its turnover had risen to Fmk 109m. It employs 700 people, has subsidiaries in Sweden and Germany, and exports 80 to 85 per cent of output.

One of its largest deals of recent years was to supply a large amount of excavation equipment for the construction of the Central Electricity Generating Board's underground pumped storage power station at Dinorwic in North Wales which, on completion in 1981, will be the largest of its type in Europe.

Tamrock's export growth has been based on this contract and on the beginning of trade with the Soviet Union which, the company says, "represents the techni-

caly most demanding part" of its production.

Again, however, the unhealthy economic climate brings disquiet. Tampella's last annual report noted that the price for basic metals was still low and stocks relatively plentiful. "No significant increase in mining investment can thus be expected, at least in 1977", the report said.

There was one note of optimism amid the gloom. "It is obvious, however, that investment needs are accumulating and will affect the market when raw material prices rise", it observed.

That buildup of investment prospects is as much the case in the Finnish metals sector as it is abroad. Finland's tight monetary policy has been blamed again and again, as elsewhere, for industry's reluctance to spend. Last year 85 per cent of the metal federation's members said that shortage of finance was the chief obstacle in the way of increased capital spending. This year the figure had risen to 95 per cent.

### Chief hopes lies in investment

Finland's main hope now lies in a resurgence of investment in the European market place. Metal and engineering exports to EEC countries in the early 1970s were accounting for well over 20 per cent of the total, but in 1974 reached only 15.3 per cent. Last year of 1975 fell again to 18.3 per cent.

Last year exports to the Community were on the move again and totalled Fmk1,668m, representing 20.3 per cent of the total. The abolition of tariffs on most metal and engineering products occurred in the summer and the Finns expect this to offset at least part of their cost burden.

Underlying the difficulties on the international scene are Finnish industry's frustrations at home. Mr Lars Mikkelsen, president of Ahlstrom, summing up his company's position in Britain, says: "Finland's position at present is that more attention is directed to the distribution of wealth than to development and increase it further. We are prone to planning measures, the pace far too many restrictions, particularly on investment, which is generally regarded as hindering the economic development of the country."

"The question then arises in which direction the success will be created or not."

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# Bold plans bring reward of higher production

by Peter Hill

At a time when the world's steel makers are facing a crisis of enormous proportions, with companies recording huge losses and demand for steel sinking to new low levels, it is surprising to find that Finland's iron and steel industry (small though it is) is actually raising its production.

In the first nine months of this year the Finnish industry—which in the basic iron and steel sector is largely centred on the state-controlled Rautaruukki—increased production by 33.2 per cent compared with the corresponding period of last year. Output increased from 1,164,000 tonnes in the first nine months of 1976 to 1,550,000 tonnes in the corresponding period of this year, according to the latest figures published by the International Iron and Steel Institute. In September production rose by almost 45 per cent compared with levels achieved in September 1976, with crude steel production amounting to 200,000 tonnes.

Last year the industry's total crude steel production amounted to 1,600,000 tonnes with the basic oxygen steel-making process accounting for more than three quarters of production, and the balance made up by production from electric arc furnaces and open hearth plants. The rise in crude steel production reflects the ambitious expansion programme set in hand by Rautaruukki some years ago and which when finally completed will make the company's Raase works the largest in any of the Nordic countries.

This year has also seen the completion of a new stainless steel plant at Tornio, close to the Finnish-Swedish border in the north of the country which has been underpinned by Outokumpu, which has been primarily concerned with the production of non-ferrous metals. Also state-controlled, Outokumpu plans to seek market outlets for much of its stainless steel on the international market.

But while production has been more buoyant than in many other steel producing countries, the Finnish industry is not without its problems. Last year the Finnish Government was obliged to agree to provide subsidies

to Outokumpu until 1980 because the company's production was insufficient to meet interest payments on loans. Rautaruukki recorded a loss last year of Fmk 2.5m against a profit in the previous year of Fmk 3m although the company's turnover increased by about Fmk 115m to Fmk 948m.

The company's bold development plans are now in their final stages and represent an interesting mixture of Soviet and western technologies with Britain's Davy Loewy among the important contractors. It was seven years ago that the company decided to double the capacity at the Raase works—lifting output to 1,700,000 tonnes—and construction work began in 1972.

Russia provided the 2,300,000 tonnes sintering plant along with two blast furnaces and continuous casting machines while Davy Loewy provided the rolling mill which has a capacity of 500,000 tonnes of hot-rolled plate and 1,100,000 tonnes of cold-rolled coils. The British company is also providing the equipment for the expansion of the company's strip mill works at Rämseelppa. Rautaruukki has also built a new pipe plant at Oulainen near Raase.

The company estimates that about 855,000 tonnes of production from the expanded operation will be for the domestic market and about 500,000 tonnes earmarked for export markets although in the present state of the market internationally the group could face serious problems in disposing of the export production, particularly since most steel industry observers do not expect any significant upturn in demand for some years ahead.

A year ago the Finnish company, which now operates three Davy flat product mills, signed an agreement with the British steelworks plant contractor under which the Finnish firm will train manpower and provide technical assistance for the commissioning of similar mills in third countries. Rautaruukki signed a similar pact with the Soviet suppliers earlier this year and this might well herald an unusual tripartite partnership in third countries.

Meanwhile, Outokumpu's new stainless steel development at Tornio was formally commissioned in May after being in operation for more than a year with production at the new plant running at

about 20,000 tonnes a year the following month. The continuously cast steel in slab form is being hot rolled on the semi-continuous wide strip mill of Rautaruukki at Raase, then returned in coil form for cold reduction at the Tornio plant.

The new stainless works at Tornio will have an annual capacity of 50,000 tonnes a year and about half is destined to be shipped to export markets. As part of its marketing strategy for the future, the company earlier this year acquired the share capital of Reynolds European (London) which will be the vehicle used to handle marketing and sales in Britain of the Tornio plant's stainless flat products.

Investment in the new facility at Tornio, which will employ about 850, is estimated at Fmk 700m and is close to the company's existing ferro-chrome works. The company originally expected to build up to full production in 1979 but again weighed in very much on the state of the international steel market and the competitive edge which the new plant can offer. Outokumpu has placed considerable faith in the continuous casting equipment which it has installed and believes that it will ensure a profitable future for the Tornio venture.

Elsewhere in the Finnish steel industry other developments are planned by Ovakko, which produces reinforcing bars and special steels. Last year the company turned in a loss of Fmk 3.5m after a small profit the previous year but it managed to complete the year without laying off staff or reducing production levels.

The company exports more than 50 per cent of its production, largely to Scandinavia, Britain and the United States. The company produces special steel billets at Koverhar and special steels at its Imatra works and completion of rolling mill developments at Imatra will increase capacity there from 250,000 tonnes a year to 300,000 tonnes.

The author is Industrial Correspondent, The Times.



An icebreaker built by Wärtsilä—such specialist ships have been an important source of orders.

## Joining other builders out in the cold

A few months ago it seemed that Finland's shipbuilding industry might escape the present world crisis in shipbuilding with only cuts and business rather than severe wounds. Such optimism has proved to have been misplaced and the Finnish shipyards are now as uncomfortably aware of the massive problems that face the industry as are their competitors elsewhere.

Even the Soviet Union, which for many years has provided Finland with a steady baseload of work, has been unable to rescue the yards from the grim prospect of a dwindling order book and consequent redundancies which are inevitable unless new orders are obtained.

Like that of almost every other shipbuilding nation, the Finnish order book has been reduced. Between the first and second quarters of this year orders were cut by more than 30,000 tons gross and at mid-year the industry held orders for 944,694 tons gross.

Industrial and government committees have been established to consider the best means of recovery, but even with support measures the going will be hard. Finland almost alone has followed a consistent policy of almost no government support for shipbuilding, and at a time when competing nations have produced a variety of aid and subsidy schemes in order to attract new work, its own industry is clearly placed at considerable disadvantage without a comprehensive framework of state assistance.

The outlook is bleak. The Association of Finnish Shipbuilders has given a warning that the present order book, which embraces most of the principal yards, will be largely worked out next year. There is now a serious danger of unemployment in the yards unless attempts to stimulate business on an international market prove successful.

Already this year workers have been laid off, while a certain amount of job restructuring has also taken place. But unless new orders are secured, in the face of severe international competition, 2,000 other workers could be faced with redundancy early next year.

Shipbuilding employs about 18,000 workers in five big companies—Wärtsilä, Rauma-Repola, Valmet, Hollmäs and Navire. Of these Rauma-Repola and Valmet each has a number of separate yards. They have achieved an enviable reputation for the construction of highly specialized vessels, including up-to-date ice breakers and cruise liners.

The industry was largely built up after the war, when the reparations paid by Finland to the Soviet Union included nearly 600 vessels. Between 1951 and 1960, the Soviet Union continued to be the biggest customer of Finnish yards, with nearly 1,000 vessels delivered in that period.

But later the construction

of specialized vessels for many foreign countries began, and in the days before the collapse of market demand ships accounted for 7 per cent of Finland's total exports. Last year the industry recorded a total turnover of Fmk 2,200m, with exports accounting for Fmk 1,800m, and in the past few years the industry has invested at a rate of between Fmk 200m and 300m, which by Finnish standards is a fairly large amount.

These investments have included the construction of a new yard by Wärtsilä near Turku, another new facility by the Valmet group on the outskirts of Helsinki, and the new hull construction facility completed 18 months ago by Navire at Naantali.

Mr Tasio Forsten, director of the Association of Finnish Shipbuilders, noted that in the past decade the aim has been to build the type of ship that is likely to be in demand, regardless of cyclical fluctuations, and to achieve a permanent market. Vessels which have been built cover a wide range from chemical tankers and liquefied petroleum gas carriers to research vessels, tankers, timber carriers and roll-on, roll-off ferries. An average of 40 to 50 vessels with a total tonnage of about 200,000 gross has been built each year. But the move by Rauma-Repola into the construction of oil drilling rigs in the early part of the decade has boosted annual output, and this year completions are likely to total about 500,000 tons gross.

Exports to the Soviet Union figure largely, and the present trade agreement between the two countries contains a quota for exports to a value of Fmk 6,000m for ships of various types extending from heavy lift vessels and barges to cable ships and accommodation vessels.

Ironically, earlier this year Valmet reversed the general trend in trade with Russia when the company ordered, at a cost of Fmk 30m, a large new floating dock from the Soviet Union which will be used in the group's ship repair activities.

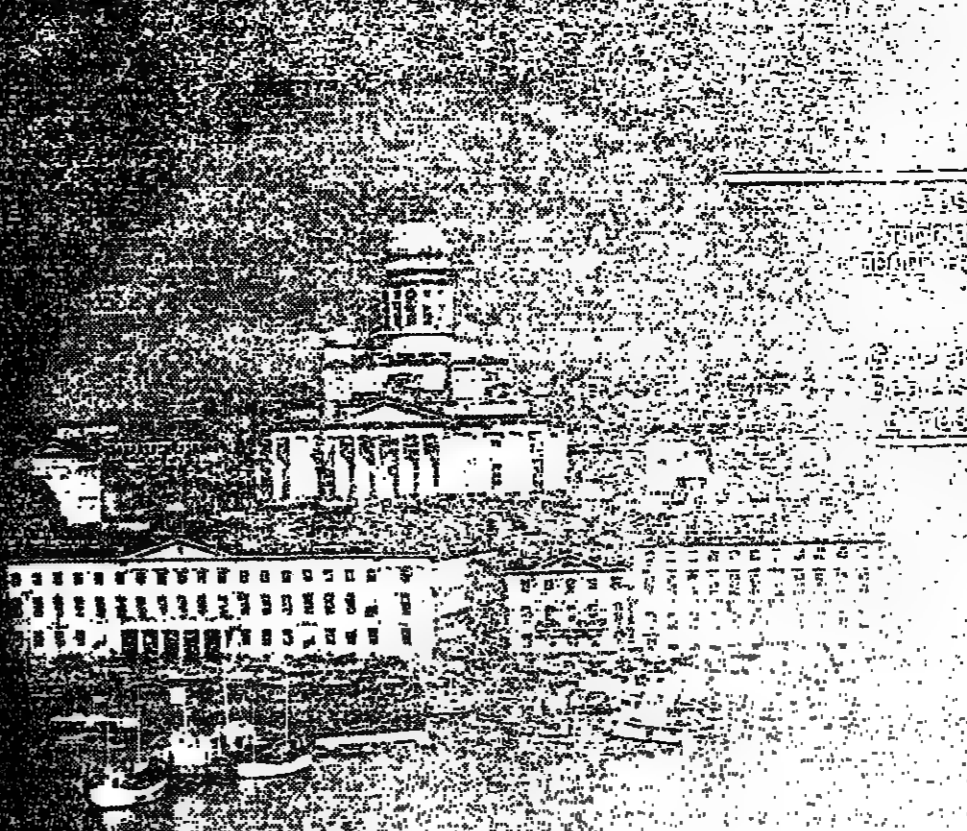
Even more worrying than the failure so far of the campaign to win foreign customers is the lack of orders coming forward from Finnish shipping companies: the last was for the revolutionary Baltic ferry, the Finjett, which entered service between Helsinki and Travemünde in West Germany in spring this year. Easier credit terms and lower prices from foreign yards have tempted Finnish owners to build outside their own country and the shipping industry considers that it now has a fleet which is both modern and efficient and which is large enough to meet the country's requirements for some years ahead.

Attempts to obtain improved credit terms for the Finnish industry have so far proved unsuccessful, and to secure work for their labour forces a number of yards

are now, like others around the world, considering diversification into the construction of other products. Wärtsilä, for example, has already announced that it is able to build floating saw mills, pulp mills, power plant and cement plants and has submitted tenders to a number of countries. Other yards are likely to follow.

P.H.

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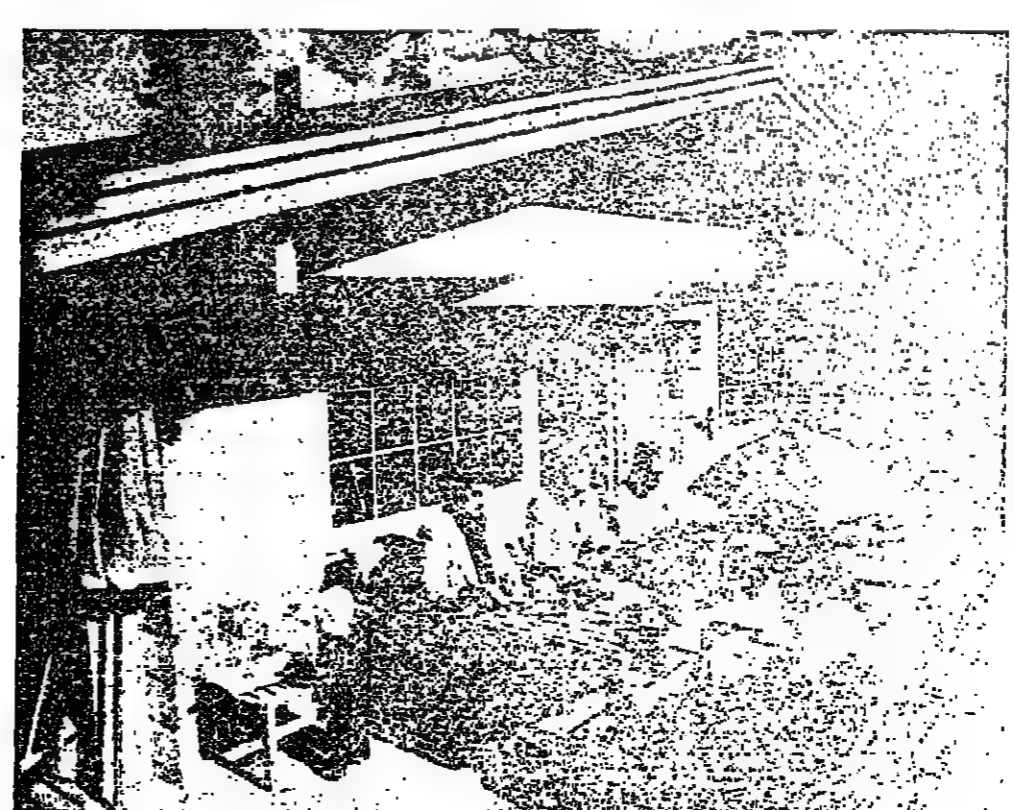
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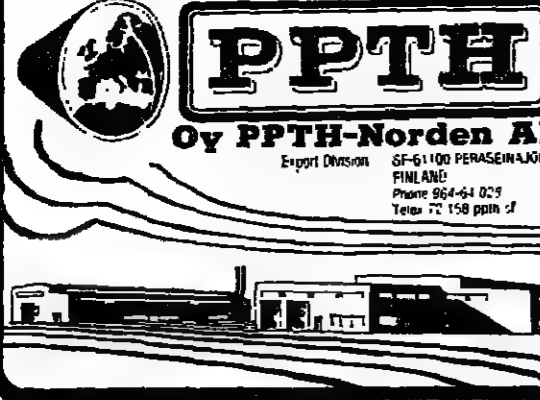
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## The best kind of Finnish steel works manufacturing

Oy PPTH-Norden Ab is a young but already well thriving and expanding Finnish enterprise particularly in export fields. In a very short time the company has become important in its line in Finland and in the other Scandinavian countries. The last two years have shown that the high prestige of PPTH in the North is worthy of standing in the Middle East, too. PPTH carries out planning and equipment installations for the industry, manufactures steel structures, boilers and precast concrete pipes and erects different kinds of prefabrications. The fact that PPTH is a subsidiary of VTT, the biggest building contractor in Finland, guarantees punctual delivery also in the projects including devices mechanical engineering also building and civil engineering work. PPTH has several workshops at Pori, Finland. The total production space covers over 4,000 sq. m., office space about 1,500 sq. m. and storage space over 25,000 sq. m. Workshop production comprises mainly:

- steel structures
- pipes
- tanks
- boiler components, smokestacks
- steel framework for buildings
- prefabricated stores, hangars and sheds
- ship's hulls

Engineering works includes separate workshops for glider and plate works, stainless steel and piping.



by John Mowinski

Advanced technology in design usually demands the size of investment and attendant commercial risks that are not normally associated with small private businesses. Eirivion, a family enterprise, provides an interesting exception in that it has not only taken on and beaten the established competition but researched and refined its product to achieve a level of worldwide success in glider manufacture that places it among the leaders from the point of view of product performance, and in a design class of its own.

The development of Finnish glider manufacture owed more to scientific initiative than commercial foresight. Molin (the company adopted its present title in May of last year) began modest production 15 years ago in Jämsä, some 300 km north of Helsinki, using local plywood and craftsmen. In 1971, when the international rules governing gliding competi-

## Glider soars on science

tions were changed to allow gliders with flaps into the 15 metre class, the Helsinki University of Technology decided to develop a glass fibre prototype primarily for research purposes but with the possibilities for serialised production in mind. Molin subsequently decided to join the project which was designated the PIK 20 (PIK representing the initials of the University Flying Club). The prototype was flown competitively in Australia in January 1973 where it was placed a promising third, and the serial production of this, the world's first flapped 15 metre glider, was started the next year.

New technology has become a strong feature in the development of Eirivion's PIK 20 glider series. The PIK 20A was wholly constructed from fibre glass, the B model saw the first applications of carbon fibre components and use of this revolutionary new material became standard on the current D model. The ability to employ a sandwich construction in the manufacture of the glider, in addition to the use of carbon fibre for the main wing spar and a number of other components, has been made possible to a large extent through the extensive research undertaken by the Helsinki University of Technology.

Because the university is not involved in time and fund-consuming space research, it has been able to maintain close cooperation with Eirivion and it is this unusual and essential relationship that forms the key to that company's successful development of advanced glider technology. Carbon fibre and a special heat-cured epoxy resin laminate are combined to produce a proportionately light machine, compared to any other in that class, and at the same time a strong glider, incorporating advances in aerodynamic design which have given it high performance together with docile handling qualities.

These attributes were fully endorsed by Mr Bill Bedford, chief test pilot on Hawker Siddeley Aircraft from 1956 to 1967, who recently evaluated the glider in Finland at the invitation of Eirivion. Even in the infancy of the PIK 20, the superiority of the glider soon became apparent. With initial availability of the PIK 20 often limiting the glider to a single entry in the various national gliding championships, it was nevertheless gaining first placings. Among many distinctions, the PIK 20 scored on to win the national championships in the United States, Finland, Britain, Australia, New Zealand and Denmark.

Perhaps crowning these achievements to date was the spectacular victory scored by the PIK in the 1976 World Gliding Championships held at Ryski in Finland. After only two days the six leading positions were occupied by PIK 20s and the Finnish glider went on to take the first, second, third and fifth positions in the final result.

Eirivion sees the PIK 20E penetrating many areas of the world where gliding conditions are ideal but difficult to reach, greatly restricting conventional launching and landing. A technological lead is difficult to maintain. Two years ago the PIK was in a class of its own but now other manufacturers produce 15-metre flapped gliders. Eirivion remains the only glider manufacturer to use carbon fibre technology but even there Eirivion's lead is being challenged. West Germany, for instance, with 40 years of glider manufacture experience, maintains a strong competitive presence.

However, Eirivion's position will remain buoyant as a result of continual research on product improvement, and a marketing policy aimed at selling a complete service to gliding enthusiasts worldwide. In his words, "sound marketing and information is essential to cultivate the taste of the gliding world". The PIK gliders, backed by a motivated and closely knit workforce, seem excellently placed to meeting that growing taste.

The compensation arrangements for the Hawk contract give Finnish exporters an opportunity to sell £100m worth of goods to Britain. Hawker Siddeley, which has established offset sales offices in Kingston upon Thames and Helsinki, is confident it will be able to meet the offset requirements in time to conclude the deal.

## Britain wins jet trainer sales dog-fight

by Arthur Reed

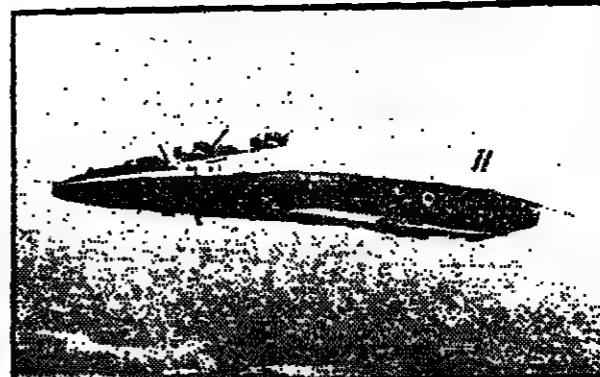
The Finnish Air Force has become the first of what the British aircraft industry hopes will be many overseas customers for the Hawk, a lightweight jet trainer which is being produced by Hawker Siddeley within British Aerospace, the nationalised company.

The Finns chose the Hawk after an intense international competition involving aircraft being developed by the Swedes, French, Czechs and Italians. The selection of the British machine by such an advanced air force is considered to be a considerable accolade for its designers who are perpetuating a distinguished line of ground attack fighters, among them the Hurricane and the Hunter.

Fifty Hawks are to be bought by the Finns, and a letter of intent to purchase has already been signed. The aircraft will be used as trainers, although the Hawk is easily adapted for a warlike role. Recently there has been some political pressure apparent in Finland for the air force to switch the order to a Czech machine, but the British aircraft industry is hopeful that the firm contract, which it will be signed in the near future.

Part of the deal will be an offset agreement under which Britain will buy Finnish-made goods, and the Finnish aircraft industry will make some parts of the Hawk which go into service with its air force.

Hawker, which has established offset sales offices in Kingston upon Thames and in Helsinki through its agency, Machinery Oy, has been given only one year to find the £100m compensatory sales, but according to sources in Finland there is every indication that the



company will be able to fulfil its obligations.

There is some criticism that Finnish industry has failed to take full advantage of the export opportunities that the compensatory terms offer. Hawker, with its worldwide network of agencies and representation, is able to offer sales back up and marketing skills on a scale totally unknown to most of the Finnish companies. One Finnish businessman believes that the general Finnish attitude to the offer opportunities is typical of the passive sales machine that affects his country's export industries. "We still wait for customers to come to us rather than going out and looking for them", he says.

So far the offset offices have looked at more than 500 Finnish products and many deals are in the final stages of being confirmed. In some instances the only help that Hawker has received from would-be exporters hoping to cash in on the deal is a simple sales leaflet with little or no information about the product and certainly nothing about production capability and pricing.

One of the crucial offset negotiations revolves around the establishment in Finland of a television tube manufacturing company called Valco, which has a 20 per

cent holding by the Japanese company Hitachi. The rest of the shareholding is government owned and the Prime Minister, Mr Kalevi Sorsa, is chairman. This factory will come into production sometime next year and the highly controversial aspect is that exports will be aimed at the British market. It is felt by some sectors of British industry that Valco is being used as a backdoor entry into Britain for Japanese tube manufacturers.

The other big part of the contract is the degree of Finnish involvement in the construction of the Hawk to be carried out by Valmet. Valmet recently produced its own designed primary trainer, the Leko 70, which Hawker is also hoping to sell for the Finns.

The British Aerospace proposition has been placed before the Finnish Government and final negotiations are taking place. One event that augurs well is Finland's decision at the end of last month to purchase some 20 Mig 23s from the Soviet Union thus maintaining the balance of purchases between East and West.

For the Finns, the Hawk deal is obviously attractive, as not only do their military take into their inventory one of the best jet modern trainers in the world, but

their aerospace will be able to "plug in" to the far bigger and more experienced aircraft industry of Britain. There is little doubt that, given good will on both sides, other joint aircraft projects, both military and civil, could flow from the plan.

Although British Aerospace hope to sell the Hawk to many other countries abroad, and are in negotiation with several, the RAF is the only other customer for it so far.

A fixed-price contract for 175 Hawks was placed for the RAF in March, 1972, and the first aircraft flew two and a half years later. The first and second production aircraft flew in the following spring. No prototype or pre-production aircraft were produced, as is usual with a new aircraft of this type. Instead, the first six off the assembly line were used by USA and the Aircraft and Armament Experimental Establishment for the developmental flight test programme.

Production for the RAF will continue at three or four a month until about 1980, when the order will be completed. By that time the British aircraft industry hopes that the Finnish order will have been joined by a number of other overseas purchases to keep the assembly line active until well into the late 1980s, or even the 1990s.

The Hawk is powered by one Rolls-Royce Turbomeca Adour 151 turbofan, another product of an Anglo-French aerospace project, generating 5,340lb of thrust.

This gives the aircraft a maximum speed of 617mph at sea level, or 570mph at 30,000ft. Time taken to climb to 40,000ft from take-off is 10 minutes.

The author is Air Correspondent, The Times.



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THE INTERNATIONAL FINNISH BANK

## Inflation—but diet returns to roots

by Leena Fields

In many respects Finland forms a bridge between East and West—and this is the position it occupies on the gastronomic map of the world.

Finland is where the Russian salmon pie, the kullabi, and meat-balls so cherished by the Swedes, meet. It is also absorbing a pizza and hamburger invasion. But the Finnish cuisine has an enviable distinctiveness. Above all there are regional dishes, honourable preservers of traditional eating habits which at their best combine unfussy simplicity with geographical variation. Finnish cuisine is not a matter of spicing that brings tears to the eyes, or the most complex recipes devisable. Yet in its own unassuming way it is exotic, offering just as many delights as its international counterpart.

The traveller who approaches Finland over the Baltic gains the best impression of the richness of the Finnish table. The standing table—smörgåsarbord (voileipäpyöty in Finnish) is the pride of every Finnish ship and restaurant. Unavoidable, it ensures diners into excess. Canning tourists find methods of saving some of its delicacies for less bountiful days: the idea is to eat as much as you can, in your own favourite order. The table seemingly offers everything: fish, meat, salad, vegetables, bread, and cheeses—all served in countless delectable varieties. After the culinary luxury of the smörgåsarbord, other pleasures tend to pale, because of the high price rises triggered by recent inflation. The expense of meat in particular is leading the housewife back to traditional grains and roots and reasonably priced fish.

Northerners approve this trend, though less acceptable habits live on. Meat is often consumed in the form of greasy sausage; in general, fats are used to excess, fruit and vegetables too little. Latest surveys indicate some slight improvement, but the typical Finn still eats too few vegetables—just seven grammes daily a head. The fruit intake is somewhat less meagre, being fairly cheap: in some springs, imported oranges cost less than the same weight in home-grown potatoes.

The "home's best" tag applies throughout the world. For all its straightforwardness, Finnish everyday food can offer rich flavours. A large variety of open-pie, fish and so on—is matched in popularity by casseroles, milk dishes, and "mum's meat-balls". The diet has always been built around a staple of bread and potatoes, which are tending to reinforce their position. The Finnish cuisine's best raw material is fish. There are lots to choose from. The Baltic herring may seem mundane, but experts say you can prepare 100 different dishes from it. The least cumbersome way

is to fry it, or bake it casserole-like in the oven, together with slices of potato, onion, and egg, topped in milk. Stuffed pike, stewed haddock, browned in foil, hint at the rest of the range.

Modern mobility has confused the regional culinary pattern. Cheese from Kalinau (centre north) and reindeer from the far north are found in southern Finnish

supermarkets and on menus for official visits. The thin pancakes of Savo (east-centre), fried in huge pans, have built a gastronomic bridge to the crêpe Suzette world of France.

Lapland is synonymous with reindeer. Farther south, reindeer meat, served in steak form, gives a touch of refinement. Now it is also marketed as a constituent of meat-balls and sausage, and

was incorporated into the Finnish army's menu this autumn. Lapland's other delicacies are salmon and cloudberries—the latter covering berries with a yellow cap, and providing a liqueur taken home as a gift from Finland by many tourists.

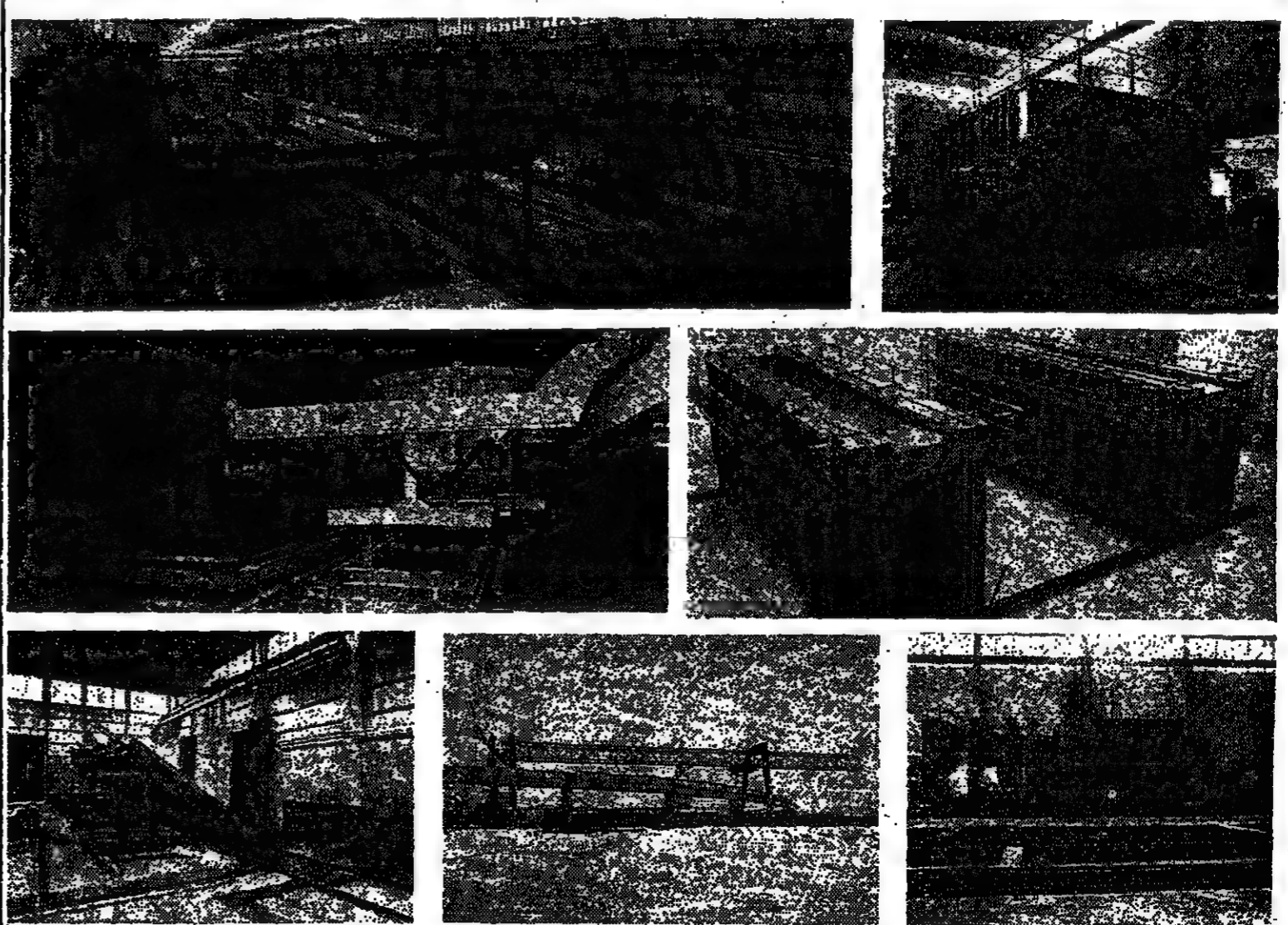
The Karelian pirakka, baked in a rye and wheat dough, inserted with rice porridge, is on every shop counter. The whole nation finds

Karelian stew, one of Finland's best meat dishes.

On the west coast, in Ostrobothnia, they dip a so-called bread-cheese—brown, roasted, silver—in their coffee.

In the south-west sausages are in great demand; southerners go for herring, bought at the autumn market direct from fishermen's boats, both fresh and pickled in marinade.

In Finland the changes between seasons are strongly marked, giving rhythm to the diet and eagerly awaited seasonal dishes. Easter brings lamb, colourfully decorated eggs, and reindeer, a black, sweet malt dish which provokes peculiar reactions from foreigners. New potatoes, eaten in jackets with dill and butter, are the main delight of early summer.



## ELEMATIC EQUIPMENT AND METHODS

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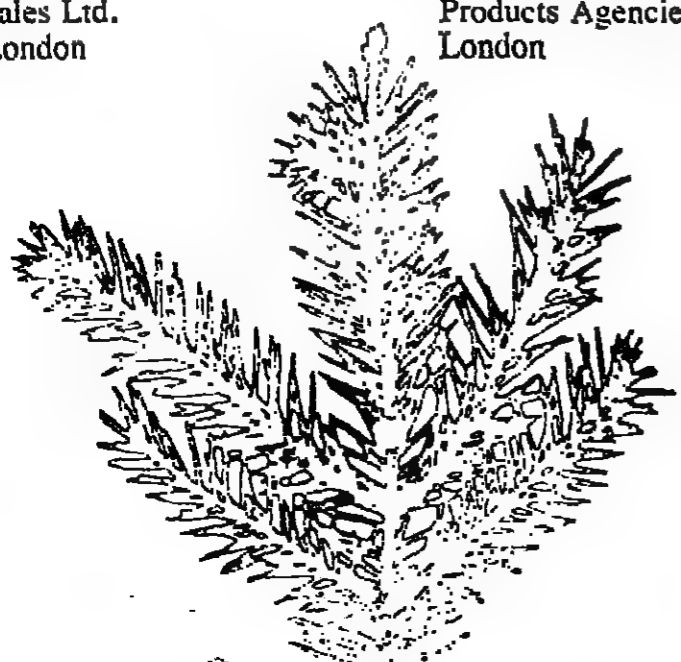
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## Music from nowhere



Aulis Sallinen

Opera is thriving in Finland, thanks largely to the home-grown variety and the Herculean efforts of two composers—Joonas Kokkonen, the academician who personifies the musical establishment, and a younger man imbued with instant charm, Aulis Sallinen.

There is a link between them: Sallinen studied under Kokkonen at the Sibelius Academy, where

another formative influence was Aarre Merikanto, composer of the seminal Finnish opera, *Juho*.

"It seems odd, but Merikanto's biting criticism could shoot sparks of inspiration," Sallinen recalls. "Yet he taught me less than Kola, men, who had so much to give in a technical sense."

Sallinen's 42 years have been a steady upward curve. Born near Lake Ladoga, he joined the wartime westward trek of Karelian evacuees. His teenage years were spent in a small west coast town where, making arrangements from Glenn Miller and Artie Shaw records, he assembled a 12-piece school jazz band. The impression in him was subsequently indelible for a 10-year term as manager of the Radio Symphony Orchestra.

Sallinen's output includes three symphonies, four string quartets, a ballet, a violin concerto, and a new folk concerto recently aired by Arto Nore and the Helsinki Orchestra. The absence of musical roots in the family underscores the achievement.

The opera—*Ratsumies* (The Horseman)—was scored to a beautiful libretto by

Finland's leading poet, Paavo Haavikko, for the 500th anniversary of Olavinlinna Castle, backcloth to the Savonlinna Festival.

Sallinen is now working on his second opera, based on *Punainen viiva* (The Bloodred Line)—a novel by the society-conscious Harri Savolainen.

The common element in each work unfolds the composer's philosophy: "I don't want to change the world, but I believe musical theatre carries a latent force that touches people's emotions. Listeners at Savonlinna identified themselves with characters in *The Horseman*. Ordinary people live in a maelstrom of events they can't control, and I feel sympathy for their plight."

How international are the operatic messages by Sallinen and his mentor Kokkonen? "The globe is too big for an artist to stand on it with both feet. Music must still have a national point of departure. But if it has significance and, most decisively, quality, art crosses borders and becomes universal."

D.F.

## Anti-hero author



Veijo Meri

Veijo Meri is one of Finland's top three living writers. Half his output of 10 novels, short stories, seven stage plays, poetry, a biography, and assorted work for television has war as a backcloth. An admirer of Hemingway, Meri's *Good Soldier Schwejk* threads into his narratives, showing the corrupting effects of war behind the Finnish holding perfidious Russians at bay, his view of

the past is an antidote, possibly hard to digest. "Conservative quarters consider the winter war was the most glorious happening in our history. They think in terms of the opening minutes, when the nation stood united before the end of the world. Four months later people wept when peace was signed—would they credit it? Believing they had won the war, they wondered why the terms were so bad."

Meri's latest play, *Autumn 1939*, portrays Finns about to step into the cauldron. His technique is polished—no mere riding roughshod over once-wound values or a crude wish to shock: "I've seen Russian soldiers on the stage. You can't introduce elements whose effect on the audience you can't predict."

Naturally timid, Meri is vastly entertaining once the conversation warms up. Hands drawn over his forehead, eyes closed, and face creased in wrinkles, he emits nervous cascades of adjectives. For evidence of a staple, sketchy historical diet of valiant Finns holding perfidious Russians at bay, his view of

the past is an antidote, possibly hard to digest. "Conservative quarters consider the winter war was the most glorious happening in our history. They think in terms of the opening minutes, when the nation stood united before the end of the world. Four months later people wept when peace was signed—would they credit it? Believing they had won the war, they wondered why the terms were so bad."

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modern Finland we have been sucked into a huge mainstream, pro-Kokkonen, pro-Government, pro-establishment. Revisionist communist writers have submitted. When it comes to the crunch even I am loyal to the republic. We are coming to terms with ourselves—though fortunately we have not reached Swedish levels of self-censorship. An aside which will stimulate those who believe social conflict is a good breeding-ground for the arts.

Meri's interpretation of history, violating the old textbooks, has its own sweet logic. Since St Petersburg was founded in 1703 Finland's evolution has been a fairy tale, he contends. The Russian Revolution has been a bitter stain, and Alexander II's endorsement of this position in 1809—tantamount to an independence declaration—established a *par russia* which endured 108 years and has recently been renewed. The pragmatism has been minimal: the Finns failed to back the Polish and Russian revolt in 1863, and were rewarded by Alexander II.

D.F.

## Bold impact on life



Antti and Vuokko Nurmesniemi

Few artists have developed

of human beings, not just machines. Set against some contrived, exaggerated and garish efforts, Vuokko's garments look blissfully natural—deceptive simplicity once again. A child might easily find her secret, but adults conditioned to the bizarre conventions of fashion could overlook the vital clue: the materials the employs are natural.

"I can only use cotton, wool and cloth which I wholeheartedly approve and which allow me to stand behind what I do," Vuokko Nurmesniemi emphasises. "The artificial is acceptable only where it is absolutely necessary." The cuts and the colours have a relaxed, healthy vigour which eludes the time-bound quality of fashion.

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D.F.

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## Latecomer to politics



Pirkko Työläjärvi

Pirkko Työläjärvi's rise in the Finnish political firmament would look meteoric even if she were not the only woman minister in the present coalition Government. Out of the blue, she became the Social Democrats' deputy leader at their 1975 congress; she was then 36, and had had only eight years' experience in the party. Since then she has served in two cabinets: the "national emergency" one of 1975-76, and the "national recovery" one installed last May.

Though she moved late into politics Mrs Työläjärvi is a third-generation Social Democrat, maintaining a consistent profile in a left wing which can stay more restrained than its British equivalent since there are many communists to stoke the emotional fires. She spent part of the war separated from her stone-mason father and metal-worker mother as an evacuee in Sweden, a haven for many Finnish children. She graduated in Turku from a Swedish-language school of economics. She is estranged to Scandinavia: "I feel at home throughout northern Europe, but the Finns have a streak of individuality and irreconcilability which makes me identify."

She has worked as a teacher, auditor and in the management of public offices. She is married to a social and financial administrator. "He doesn't treat me as a minister; he's got his own healthy self-respect," she says. Spare time is devoted to gardening and reading; the Työläjärs have no children.

The thin voice and quiet style are typical of the face-smiling housewife of Ruuska—believe a determination that has no frills: "My ambition is to obtain concrete results from day-to-day work, not to go round scribbling out political machines. I admire civil servants, but not bureaucracy. There are too many people in public administration who dodge decisions and pass the buck."

Within her dual-purpose ministry she handles health while a member of the Centre Party presides over

social affairs. Given her knowledge of taxation and of safety for workers, one might have expected the reverse, and her list of feasible reforms bears a strong social tone.

A committed woman, she feels alienated from the politics by agreement which has become fashionable. Her great dread is of people leading firm convictions. On why the Social Democrats have failed to convert the urbanisation of Finland into electoral support, her answer clashes interestingly with the views of those who write about *bourgeoisement* among workers: "We have not reached the white-collar sectors who have been years of the proletariat. We fail to offer them a model, and we lack political willpower."

Finland was the first European country to enfranchise women. Mrs Pirkko Työläjärvi's view on the role of women in politics is consistent with her devotion to work: "A woman minister is excluded from many of the Social Democrats' deputy leader at their 1975 congress; she was then 36, and had had only eight years' experience in the party. Since then she has served in two cabinets: the "national emergency" one of 1975-76, and the "national recovery" one installed last May.

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## Optimistic academic



Paavo Seppänen

concern himself with academic obligations. Every tower or pointless statistic in a university world of repetitive research and predictable teaching, where narrow specialisms are slightly labelled *jakokios*, Seppänen's overall view is a fascinating listening. Adeptly entrusted with a study of twentieth-century changes in Finnish society, he is well qualified to give an off-the-cuff state-of-the-nation message.

A sociology professor from Snälvä in the easy-going

east, Paavo Seppänen has participated in the overriding social transformation: the drift to the towns. He arrived in the capital as a student in 1951, became an academic, and now holds a chair at Helsinki University. His gentle manner is the antithesis of the tough guy image cultivated by many Finns.

Seppänen detects a profound change of mood in the years between Finland's golden and diamond jubilees. In 1967 he thought continuous economic growth was self-evident. Now pessimism has been induced by the energy crisis, inflation, dwindling raw materials, and pollution problems. "Politically, 1967 marked a Social Democratic upsurge paving the way for extensive reforms. In the early 1970s, however, the Social Democratic party and the welfare ideology are in difficulties."

A useful decentralist in his day, he subscribes to the Finnish passion for sport. ("Perhaps the British are more sports-minded, but they have a longer tradition.") Stimulated by Max Weber's theories and the knowledge that Finns have won international success in Olympic medals, he discovered a clear corollary be-

tween athletic success and cultural, political and religious background. East Germany, whose communist-Protestant climate was more one of achievement, is a notable illustration. By virtue of late industrialisation, Finland has probably changed more in the past 20 years than any other western European country. Now emerging from the Nurmesniemi's spacious atelier home on the Kulo-saari shore, three miles out of Helsinki, Antti's prolific output is a microcosm of visual developments over two decades. His list of tasteful interiors, in all varieties from bright to subdued, would fill a telephone directory. Most Finns probably touch something of his every day: in all likelihood a coffee-pot, whose apparent simplicity hides the ingenuity involved.

"I've been branching into investment goods and smaller articles for industry," Antti states. "Whereas the carmaker designer is left to himself when you do a tractor or a train you have to work with technicians. Teamwork can pay off if tasks are clearly divided and the individual contribution is emphasised. We've got to think

of human beings, not just machines."

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"I can only use cotton, wool and cloth which I wholeheartedly approve and which allow me to stand behind what I do," Vuokko Nurmesniemi emphasises. "The artificial is acceptable only where it is absolutely necessary." The cuts and the colours have a relaxed, healthy vigour which eludes the time-bound quality of fashion.

Vuokko is struck by the contrast between the mid-1960s, when she set up her own business, and the late 1970s

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Financial and industrial policies are not a heady brew

## Economy undergoes its roughest ride

by Donald Fields

In 1975, when Finland staged the European security summit, the hosts concocted a catchphrase for détente—the "spirit of Helsinki". Two years later final act euphoria may have evaporated in Belgrade, but the Finns have found a new spirit—that of Korpilampi.

Last September Korpilampi, a congress hotel, was the venue for an unprecedented economic conference attended by 350 top decision makers. The only influential absentee was the hard-core communist, leaving everyone else from their "revisionist" comrades (now in the Government) to the sternest captains of industry to sit through two days of talk.

The Korpilampi brew is not a heady one. The documents produced on incomes policy, farming and forestry, competitiveness, and the working environment were cosmically unexceptionable. True, they may have had some bearing on policy, but they were hardly an advance on the Government's "recovery" programme proclaimed in June. Above all, the trouble with Korpilampi was that it came three years too late.

In those three years the Finnish economy has undergone its roughest ride of modern times: almost no growth, 50 to 60 per cent inflation, a burgeoning foreign debt, and a rocketing unemployment from the balm of October 1974, when vacancies exceeded the jobless for the only time in Finnish history, and the foolhardy, addicted to carefree investment, were still oblivious to the 1973 oil crisis.

Naturally, Finns were not entirely to blame for these failings. Their dependence on imported oil—with the 60 per cent Soviet share feared to Opec pricing—followed a West European pattern.

Yet wounds were also self-inflicted. Adjustment to the repercussions of higher oil prices took an unconscious time as politicians, eager to salvage votes, retreated from Armageddon. In the absence of a long-term price and incomes policy, nominal earnings, boosted by an awesome wage drift, galloped unrestrained and Finland was priced out of several markets.

With poor standards of said. "The reflationary measures announced by the United States, West Germany, Japan and Japan are insufficient for an international recovery. In future a 4 to 5 per cent unemployment level may be regarded as a sign of a well-managed economy."

This year competitiveness has belatedly surfaced as the main preoccupation. In this context Sweden, number two trading partner, is seen as the arch rival. Sweden's botched gamble on an economic upswing, its widening trade gap and its delay in taking corrective measures are crumbly of comfort for the Finns, though the hard-pressed Swedish Government's ability to buy time and reduce taxes in the hope of moderating wage claims may mean the crumbs will be soon swallowed.

Whereas the Swedish krona has been marked down by 15 per cent in three devaluations, the combined drop of the Finnish mark in two such moves has been almost 9 per cent—just below the level at which pay deals would become liable to tricky renegotiation. Businessmen are furious at the smallness of last August's adjustment.

Finland remains highly exposed. Sweden's decision to sell off vast stocks of pulp at reduced prices has obliged Finland's forest industries to follow suit, contributing to an estimated total loss of Fmk2,000m for 1977. Furthermore, Sweden is in a better position than Finland to tackle unemployment. If there is light at the end of the present tunnel it may first shine in Sweden, starting new waves of emigration from Finland.

Curbing inflation is seen as the way to restore competitiveness and thus create jobs. The 1974-76 price explosion and subsequent falling-off have been somewhat less dramatic than in Britain, but on simple price comparisons the Finnish mark remains grossly over-valued. Exhortations to save are still not supported by a clear price and incomes policy.

In November Government plans to dovetail a statutory wage and price freeze into further stimulation measures by the representatives of business, who feared restrictions on its manoeuvrability, and the unions, who were due for a mid-term pay rise under existing 91 per cent to 81 per cent—

agreements. Despite this setback the influential Centre Party chairman, Dr Johannes Virolainen, set December 9 as the deadline for a new package.

Businessmen, however, have little faith in the Government. It is too early to say whether recent measures—including marginal tax concessions, job-subsidy schemes and public works programmes, and a reduction in discount rate from 10 per cent to 81 per cent—



Sunday morning in Market Square, Helsinki. Despite economic woes and industrial unrest, no one believes the balloon is going to go up.

have given the desired fillip. The mid-November unemployment figure of 152,000 indicates that much more is required but the state's coffers are limited and by November 23 there were only enough foreign exchange reserves to purchase one week's supply of imports.

Within the next week Mr Mauno Koivisto, governor of the Bank of Finland, had plugged the leak by drawing \$3m of credit facilities from abroad. Insisting that the trend was toward stability, Mr Koivisto noted: "This year's visible trade surplus will be substantial, so all the current account deficit is caused by the cost of debt servicing."

Some factors may invalidate the jereboms. With their backs to the wall Finns can be resilient and innovative; their standards of workmanship are excellent and their forests house the world's only major self-renewing industrial resource.

## Like marriage, unions have off-days

When the occasion arises, President Kekkonen does not mince words—and industrial relations have not escaped his notice. In November 1976 he effectively broke a strike by 670 guards, which was halting Finland's railways and jeopardizing production. In April 1977, addressing Finland's largest trade union organization, he declared that the strike weapon was "obsolete".

Those forceful interventions came amid a wave of strikes that cost 1,350,000 working days in 1976 and 2,200,000 in the first half of 1977, despite a decline in union bargaining power because of rapidly growing unemployment.

Unlike their Scandinavian neighbours, who try their utmost not to upset the industrial apple cart, the Finns appear resigned to this pattern. Phrases like "holding the country to ransom" and "union-bashing" are not in their vocabulary, and such British fixations as the closed shop, mass picketing and political links are rarely cited in debate. The climate of opinion is less for and against the unions as such than it is emotionally diffused through the entire range of social issues. Union leaders are seen as bogymen only in desperate straits—including last spring's intransigent behaviour by technical workers.

The unions' own history reflects the turbulent undercurrents. At first workers' combinations were inhibited by the tardiness of industrialization, not until 1894 did printers' shopfloor associations first coalesce in a national union. In 1907 18 unions, numbering 25,000 workers, affiliated themselves in one federation. Despite early victories in the fight for better conditions (notably a shorter working day) union activities were checked in the aftermath of the 1918 civil war and in a quasi-fascist upsurge in the early 1930s.

Immediately after the emergence of underground communist cells the ranks were swelled and the first collective agreements signed. After the 1956 General Strike a split among Social Democrats undermined the blue-collar federation, SAK, which was adroitly reconstituted a decade ago and has been celebrating its seventieth anniversary this year.

Altogether 70 per cent of Finland's employed population is organized in four groupings. Outweighed by the blue-collar SAK's 950,000 members are the white-collar TVK's 285,000, the professional AKAVA's 140,000, and the technical STTK's 94,000. Despite Finland's strike record, these organisations appear better than the British TUC at controlling their affiliates, which in turn are structured to facilitate communication at all levels, from factory bench to national executive. The industrial copybook is blotted less by union indiscipline than by the whims of "Stalinist" shop stewards, who are frequently a law unto themselves.

The SAK, indisputably the most influential extra-parliamentary organization in Finland, is a unique amalgam of Social Democrats (63 per cent) and Communists (37 per cent). Both sides acknowledge tensions exacerbated by the deep rift in the Communist Party. The shrewd Social Democratic chairman, Mr Pekka Oivio—a former railwaymen's leader—resembles the exploitation of the SAK for "revolutionary propaganda", while his articulate, "revisionist" Communist deputy, Mr Olavi Hänninen, at least pays lip service to the organization's constitutional independence: "The SAK is not run for the parties' convenience; it is a workers' movement."

Although union politics are necessarily tough the SAK rarely stoops to the infantile intrigues which occasionally erupt within Parliament and the parties. There are only 28 affiliated unions against the 113 of the TUC—yet Mr Oivio advocates internal streamlining. The chairman's Lea Murray-like line of restraint—in circumstances where a militant stand might attract votes—appears justified by swings in the Social Democrats in three important union elections this autumn.

In the blue-collar sector, dominated by the SAK, clear-cut boundaries between unions obviate demarcation disputes. But the emergence of white-collar and technical staff performing ever more complex tasks blurs borders, with occasional inter-federational member-poaching. That blunders a common approach towards other bodies gathered at the collective bargaining table: five em-

ployers' groupings (including the state) and the ebullient Central Union of Agricultural Producers.

The TVK has a cooperation deal with the STTK, but sticky relations with the self-conscious AKAVA. Its fast-talking chairman, Mr Oso Laakso, has provided a more political (Social Democrat-leaning) profile which clashes with the respectable middle-class bearing of most members, but accords with the new-found militancy of bank-clerks, nurses and others.

For real assertiveness, however, the STTK has few peers. In last spring's strike wave various impressions were levelled at Mr Jorma Reini, the steel Social Democratic lawyer who presides over the federation's techy technicians. At the time Mr Reini defended his policy—symbolized by a seven-week strike of power station engineers and disruptive sympathy stoppages—as a straightforward effort to preserve living standards. Anti-union sentiment, generally subdued, blossomed during dark evenings of STTK-induced power cuts.

In deeming strikes outmoded, the President called for an effective system of industrial democracy. While interpretations of that concept vary, a mild proposal for worker participation acceptable to all but the most hidebound employers and the most intransigent communists now exists. It is premature to tell whether it has real teeth and will allay fears of red tape—not to mention whether it will combat strikes.

Certainly an improved dialogue is needed at shop-floor level on all sides, and union leaders are not so jealous of their own power that they fail to urge decentralized decision-making. A greater say for the rank and file might reestablish some of the dented prestige of the central organizations, which find the economic climate unpropitious for imaginative new initiatives.

Not that the unions need reapproach themselves unduly. As the communist Mr Hänninen describes the inter-party tie-up in the SAK: "Our movement is a bit like married life—though love generally flourishes, there can be off-days."

D.F.

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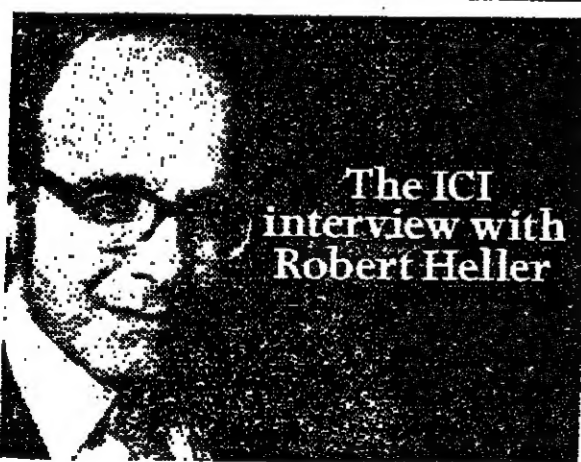
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Judith Mills (23), Sales Representative. After 2 years, already handling sales worth £12 million.

**'You are thrown in at the deep end with no restrictions really, the opportunities are marvellous.'**

**Judith Mills, ICI Sales Representative**



**The ICI interview with Robert Heller**

The vision of industry in the minds of many young people still owes much to Blake's 'dark satanic mills'. How fair an assessment is this? Every year ICI recruits around two hundred graduates. In this interview, Robert Heller, Editor of 'Management Today' talks to three, working at ICI Mond Division in Cheshire - Judith Mills (23), Sales Representative, Brian Slaney (26), an Engineer, and Max White (27), a Personnel Officer. How have their ideas of industry in general, and ICI in particular, changed?

**Heller:** Max, was there any hostility towards profitable concerns like ICI in your fraternity?

**White:** Yes... a high degree - which I also shared. The academic world deals in theory, so assumptions are made which you later find are not reflected in reality. There's little appreciation of how managers do their jobs or that they have to balance human interests with commercial reality.

**Heller:** What persuaded you, despite your initial hostility, to join ICI?

**White:** I was fascinated by industrial relations. I wanted to find out what really happened. I'd assumed industrial relations were about confrontation. When I arrived I found confrontation formed only a very tiny part of it.

**Heller:** Do you all feel your work at ICI is useful to the nation?

**Slaney:** The public probably see things like the social services as being more *directly* useful. They fail to realise that it's companies like ICI, contributing through taxes and so on, that make these services possible.

**Mills:** One of the major things is the employment we create... that people are better off. I think if we had more of an ICI set-up throughout the country - more profitable firms - we'd all be better off.

**Heller:** How important is the profit motive in industry?

**White:** We're a capital intensive industry and we've got to make a profit to keep pace with the need to build new plants - which will help us to get our share of world markets.

**Slaney:** It's essential if British industry is to go ahead. I have shop floor meetings where we share information about what we are doing. In one product area where we've had problems, the first question the foreman gets asked is "How much did we make yesterday?" This is a step in the right direction as far as I can see.

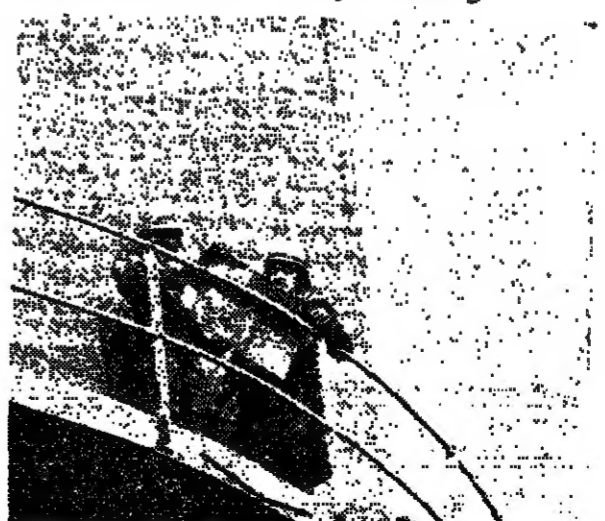
**Heller:** And what do you all get out of it?

**Slaney:** I've found myself doing the sort of jobs now that I once thought I wouldn't be allowed to tackle for another 10 years. After only 5 years here, I've got 60 people working for me and a budget of £4 million.

**Heller:** Max, you're a social scientist and personnel specialist. Have you found much scope for initiative at ICI?

**White:** Yes. When I first arrived I was given the go

ahead to introduce a psychological testing scheme of mine, in certain areas. That was my initiative and the company welcomed it. Their willingness to consider new ideas is very heartening.



Brian Slaney: 'I handle jobs I thought I wouldn't be allowed to tackle for 10 years.'

**Heller:** So joining such a large organisation hasn't robbed you of your individuality...

**White:** In a company as large as this there's plenty of space - space for the individual to develop.

**Mills:** I've found there are no restrictions really or orders from above - the opportunities are marvellous. After 2 years I'm responsible for handling sales worth £12 million to our customers in the Manchester area.

**Heller:** Can a big company be competitive - has ICI a sharp enough cutting edge?

**Mills:** Yes, I think it has. We do well. We create wealth as a company and lots of people benefit. This wouldn't happen if we weren't sharp and better at our job than the opposition.



'How important is the profit motive in industry?' asks Robert Heller. From l. to r.: Brian Slaney, Heller, Judith Mills, Max White.

Ideas in action



## The bitter split in Ghana may be a healthy sign

The president of the Ghana Medical Association warned me that there would be Special Branch policemen hanging about outside his house. "I hope it will not embarrass you," he said. "They watch me all the time." Dr Cornelius Quarcoo, a distinguished professor of ophthalmology, shows how part of the debate on the method of Ghana's return to civilian rule has become embittered and tense.

There is, however, another side to the story. I have just completed a 10-day tour of the country, which included watching General Acheampong, who has led a military government since his coup in 1972, being acclaimed at a big gathering of chiefs and people in the rural Volta Region. This has led me to believe that the Government has a considerable support among non-intellectual Ghanaians, and that its proposals for "union government"—or non-party democracy—are likely to receive a huge majority in the referendum to be held on March 30.

I should perhaps add that I went to Ghana with other journalists at the expense of the Ghana Government, which thinks that the debate on union government is of an importance that merits more international attention.

One of the main complaints of the intellectuals is that there has been, in fact, no real debate: there has been only an overwhelming exercise by the military regime. Further, they allege that there is not sufficient press freedom to allow for a proper airing of the issues, and that there has been serious intimidation of the opponents of union government.

Specifically, Dr Quarcoo shows us pictures of his Mercedes car which had been set on fire by a gang of thugs. While it was parked outside the flat of a friend they broke a window, poured petrol onto a seat and set it on fire. The entire incident is glibly dismissed. There have been attempts to burn other cars.

The doctor, who is a brave man and remains entirely unimpressed and unbothered about talking to the press, said he and other professionals were also receiving many abusive letters, some threatening their lives. More seriously, in his view, two attempts by the professionals to hold meetings to discuss union government had been prevented.

On August 25 a meeting was stopped by the police at the last moment because they claimed there had been a failure to obtain the necessary permission. A second meeting, on October 12, was broken up by roughs and wild women immediately it started. They threw chairs about and wielded iron bars, forcing the audience and the speakers to flee. One or two people were injured.

The professionals murder darkly about official connivance at the violence. But after the second meeting General Acheampong publicly condemned this sort of thuggery and appealed to people to allow the opponents of union government to have their say. In a later speech he said allegations of intimidation had been investigated and found

Kenneth Mackenzie

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## Is Parliament trying to prove it does not adequately represent the people?

John P Mackintosh

We are a non-ideological community; the British deal in situations, in actual problems and not in ideas. But perhaps this tendency is now being carried to a length which leads to public confusion, which prevents coherent action and is one reason why this nation is not reaching its full potential.

Consider, for instance, the notion of parliamentary democracy. Britain used to pride itself on being the oldest and most consistent example of representative government. The people chose their representatives and they, in turn, selected a Prime Minister. He was responsible to the House of Commons whose members answered for their actions in selecting and maintaining such a government at the next general election.

Then elements of direct democracy began to creep in. The rival candidates for the post of Prime Minister appealed directly to the people. The parties put forward elaborate programmes and it was argued that MPs elected on a party ticket were bound to support that party's leader and programme no matter how situations might have changed or what second thoughts they might have had.

The position was made more confused by the introduction of a referendum on membership of the EEC, now on Scottish and Welsh devolution and, if Mrs Thatcher has her way, on industrial disputes. To have a referendum is

When this sort of thing

happens, it is not surprising that citizens lose their confidence in Parliament. The result is confusion about the kind of democracy we have and what this means that it is not possible to refurbish our institutions in order to make them effective.

The same is true of our economic system. Only a handful of people in Britain believe in a return to total laissez-faire—it is both politically unacceptable and socially undesirable. Equally, only a handful believe in a totally state-owned and controlled economy because such systems not only perform badly but are incompatible with the personal freedoms which we cherish.

So there is bound to be a mixed economy in Britain for the foreseeable future. Yet no one has set out a convincing account and justification of the system the vast majority of people regard as most desirable. For instance, there are no clear rules for the conduct of the public sector.

To take British Rail as an example, the Government could say to the board here is £425 million a year for five years—go and run a successful railway on this basis. Or they could make the railways a department of state run by a minister. But it cannot be said to do both, with more men in the department of transport revising and checking the management of the railways than there are ac-

tually employed to do the job by British Rail.

None of the heads of the major public corporations seem to have a clear idea of what they are to aim at, by what criteria their performance will be judged or the precise form which their relations with the Government should take.

Then there is the confused rationale of the private sector. For a few, most of whom are in the defensive, it is the lifeblood of the economy. For others, stretching from academics and administrators to shop stewards and students, it is a slightly disaffected quest for profits which may or may not have some social value.

Yet, while most people would accept that to have only one employer in the country, to have all wages, prices and investment decisions determined by the state would be the end of democracy in Britain, there is still a lack of rules regarding what is legitimate and laudable in the operation of the private sector.

Finally, there is the question of what constitutes proper relations between the two sectors. For example, ought the Government to be allowed to use regional incentives, export credit guarantees or its position as a major purchaser of certain goods to force private firms to accept its industrial or income policies? Ought nationalized industries

The author is Labour MP for Berwick and East Lothian.

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## Why we must not forget Europe in the North Sea oil debate

With the extensive leaking of the Healey-Benn report, the great debate on Britain's economic options in the light of the North Sea oil bonanza may be said to be under way. At the risk of spoiling the coyness, we need to remind ourselves that our EEC partners not only need to be consulted but have a right to demand it. North Sea oil not only has a Scottish and a British dimension, but a European one also.

The debate really has two aspects. There is the straightforward question of how to spend the money; but there is also the more immediate one of how we should manage the exchange rate. Should sterling be allowed to float upwards to "spice" the economy, or should we try to hold it down?

The EEC has a strong interest in this issue, as well as the longer-term one. When sterling was drifting downwards on the world exchange, the British food consumer was shielded from the consequences, because the green pound which determines the price at which food is traded within the European Community was not devalued. This meant that our EEC partners were subsidizing us to the tune of more than £1m a day.

Now that sterling is no longer a weak currency, our partners can reasonably demand that the gap between the green pound and the normal pound should be closed, so that food prices reflect real exchange rates. They can also reasonably demand that sterling should not now join the Economic and Monetary Union (EMU), along with Europe's other strong currencies like the Deutschmark, the Dutch guilder, and the Belgian franc.

In other words, one of our first obligations now that we are no longer impoverished should be to regularize our financial relations with our partners, and in so doing help to strengthen the economic stability of the Community.

In fact, joining the "snake"—or other words, pegging sterling's exchange rate to that of the majority of the EEC currencies—would be to the United Kingdom's advantage, provided

the right exchange rate was chosen ideally.

What Britain needs is an exchange rate which can be maintained without too much difficulty, since everybody wants to avoid the disruptive effects of continued fluctuations. Since we do not have a common currency, it is more sensible for sterling to align itself to a group of reasonably strong currencies such as those which currently make up the European "snake".

Second, the United Kingdom authorities want an exchange rate which will be low enough to ensure that Britain's manufacturing exports do not lose competitiveness, yet high enough to play some part in holding down inflation. (It was the soaring cost of imports, despite the advantages of the green pound, caused by the devaluing value of the pound which undermined stage two of the prices and incomes policy last summer.)

If sterling could be pinned into the "snake" at a reasonable rate these objectives could be maintained. If it continues to float freely outside, external pressures—notably the weakening of the dollar—could push the rate up to a point at which our balance of trade could suffer.

There is another element in the equation. The realists of the EEC regard one of its basic principles the free movement of goods, people and capital throughout the Community. By maintaining restrictions on overseas investment, the United Kingdom is in breach of this principle. Because of our economic weakness, we have been allowed a temporary derogation—which comes up for renegotiation in January. Inevitably, now that sterling is strong, Mr Healey is going to come under heavy pressure from his EEC colleagues to abolish all restrictions on the export of capital to other EEC countries.

What our partners would like, in short, is a three-point financial package, to be negotiated as soon as possible in the new year.

1—Sterling to join the EMU "snake" at a mutually agreed rate.

2—Unification of the green pound with this rate.

3—Abolition of exchange control, and lifting of restrictions on foreign investment within the EEC.

Of these, the first is in my view to our advantage provided a realistic rate can be agreed. The second is plainly to our disadvantage, but it is a bargaining card which we should use to secure improvements in other aspects of the common agricultural policy, since the present position is in the long run indefensible.

The third point is more controversial. In the Healey-Benn paper, promotion of overseas investment is one of the six main aims listed for spending the benefits of North Sea oil. It has the strong support of the Confederation of British Industry, but is opposed by the TUC on the grounds that priority should be given to job creation at home. (The CBI argues that successful overseas investment creates jobs in the UK; the argument has been going on for many years, and is really unproven either way.)

On the one hand, it is clear that maintenance of the present apparatus of exchange controls is a breach of the Treaty of Rome, of a kind which may be permissible for a weak currency but not for a strong one. On the other hand, the Bank of England is likely to argue for caution, on the grounds that the free export of capital to the EEC in effect means that sterling can be exported to the rest of the world as well, since exchange controls at EEC frontiers are much less effective than those operated at our own national frontiers.

It is hard to justify the claim that sterling can be exported to the rest of the world as well, since exchange controls at EEC frontiers are much less effective than those operated at our own national frontiers.

Probably the best solution would be a compromise, under which controls would be lifted on "direct" investment and even the use of money to buy or create fixed assets in the shape of factories, offices or machinery—in other EEC countries—would be permitted.

But the EEC has an interest in the strength of each of its members, having suffered through carrying too many economic "passengers" during the last few years. Our partners therefore have a direct interest in seeing that the North Sea windfall is not frittered away, but is used instead to reestablish a strong economy which will remain viable when the oil starts to run out.

They are likely to be fairly neutral as between the remaining four options—tax reductions, investment in public services, investment in manufacturing industry, and investment in energy. The weight to be given to these is essentially an internal question for the United Kingdom, provided the form of investment is not such as to distort the EEC's balance of competition and give British firms an unfair trading advantage through subsidization.

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## The very module of a modern misconception

An occasional series on new words and new meanings.

Modules are modish. The man who lets them drop with a splash in his prose informs his audience or readers that he is a modern thinker. He may not convey much else, however, except, of course, esteem for his wordiness. Module is a term of architecture that has been widely and loosely adopted as a metaphor by less concrete sciences. For those of us who tend to trip over modules, here follow the principal modern uses of the word.

1. In architecture a modular unit of measurement used to create proportional relationships between parts and the whole. For example, in the classical orders, the semi-measure of the column is the base of the abacus, the unit of length by which the proportions of the parts are expressed.

2. Hence, in the building industry, a length chosen as a basic for the dimensions of parts of a building (a piece of furniture, and so on) to facilitate their coordination, so that all lengths are an integral multiple of it; specifically one of 4 inches (101.6 millimetres). Buildings planned in this way are described as modular.

Almost all building needs some form of dimensional coordination. This need becomes acute in prefabrication, in which the use of the modular principle is particularly appropriate.

3. Hence, still in building: one of a series of production units of component parts that are assembled or replaced, and are usually prefabricated, and self-contained structures.

4. In astronautics, a separate section of a spacecraft that can operate as an independent unit.

5. In computers: one of a number of distinct, well-defined units from which a computer programme may be built up, or into which any complex process or activity is analysed (usually for computer simulation), each of which is

Philip Howard

## LEAPMAN IN AMERICA

Some wine merchants here are said to be introducing computers which, when customers feed into them their planned dinner party menus, will print out a selection of suitable wines to accompany the food.

Apart from potential embarrassment (what if the computer exclaims: "Yuck! as you reveal your intention to serve curried brains with cranberry sauce?") This is a further step down a road at whose end we shall find that we no longer have to take any decisions about anything.

A machine being advertised on television as a suitable Christmas gift is another computer, or rather a sophisticated clock, which times the rate you eat your food. Based on this premise that people who eat fast get fat, the machine will tell you when you ought to be taking your next mouthful if you want to keep your slender figure.

I wonder whether one day the imagination of America's gadget manufacturers will wander where they will run out of ideas for machines to fulfil functions that we never knew needed fulfilling? There is no sign of it happening so far: this year's Christmas catalogues are as full as ever of ingenious devices for housewife who thinks she has everything.

Looking back, I suppose it was the electric toaster that

started the rot. Nobody who has a grill and a pair of hands needs an electric toaster. It saves no appreciable time, though it will, if functioning properly, prevent the occasional charring. Yet I imagine there are now few American homes without one.

The thinking behind the toaster is the same as that behind an implement being heavily promoted on television this year—the doughnut maker. This is a device, rather similar to a waffle iron, which will cook up to six doughnuts if filled with the proper batter. Americans have been cooking fine doughnuts for years without them.

Or take eggs. You could fill your kitchen (the cooking is done in a rather small) with devices for performing specific egg functions. There are boxes for holding them, gadgets for piercing a hole in one end before boiling, and other gadgets for timing the boil. When the eggs are cooked, the patented eater can strip off the end with a pair of egg scissors, gold plated and with the model of a hen on the handle.

If the egg is hard boiled there are tools for slicing it into segments, for peeling it square. Or it can be turned into a pale mush in one of those all-purpose mixers, choppers, graters and general

destroyers which are the fashion in high-class kitchens. There are pans designed for egg poaching, or flambéing to enable you to poach them in brandy, or flambéing to enable you to poach them in brandy, or flambéing to enable you to poach them in brandy.

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which allows the fish to swim up and down instead of from side to side. I am unsure what manual aid would be cured by winking into the milk chocolate telephone which one local store is advertising as being the best for listening to the car.

For someone whose need is physical rather than psychological, you can buy your dearest (or at least your nearest) socks with a built-in odour controller. They feature an "anti-microbial agent for lasting freshness" and prevent the harmful effects of fungus.

A visit to a toyshop provides the usual number of grotesque surprises. One of the year's games simulates an earthquake, and includes sound effects of genuine earth tremors. For the really desperate, fast-food chains are selling "hamburger belt certificates" which can be spent on anything they sell. As the least imaginative gift, often, these might prove the most acceptable of all.

Talking about fast foods, the perennial dispute about how good (or bad) they are for you, and particularly for children, is having another airing here. Some schools in New York are going to begin serving hamburgers, pizza and the like for lunch, simply because pupils will not eat the standard school fare in such like standard school fare in Britain.

Other measures may be taken by a machine giving off a neutral noise which is not in itself unpleasant but which blocks out other irritating noises. Or your friends.

You may find solace in contemplating a less complex remedy—a high-rise aquarium

which allows the fish to swim up and down instead of from side to side. I am unsure what manual aid would be cured by winking into the milk chocolate telephone which one local store is advertising as being the best for listening to the car.

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## SPEAKING FOR WHITEHALL

Whitehall has been anticipating the appointment of Sir Ian Banfill as Head of the Home Civil Service for at least five years. He has been groomed for the post just as Sir Frank Cooper, his chief, had been prepared for the trying task of running the Ministry of Defence during a period of rundown. Their past experience was the main reason why Mr Callaghan chose last week to move Sir Ian from the Department of the Environment and to leave Sir Frank where he was.

In both cases their former patrons have done well. The country can only benefit from having two first class public servants in the jobs for which they are best suited. But Sir Ian's inheritance is a surprisingly difficult one. Since 1972, when he became Second Permanent Secretary at the CSD under Lord Armstrong of Sandstead, attacks on the Civil Service have risen to an unprecedented pitch. Internally, the staff associations have become truculent and difficult to manage. Morale has slumped at all levels.

Much of the criticism of Whitehall is misplaced. Civil servants are blamed for the shortcomings of the kind of society which "per socialist" with the 1939-45 left the country. Large bureaucratic institutions were the inevitable concomitant of a welfare state and an interventionist economic strategy, the dominant characteristics of postwar domestic policy.

On the lowest level, the civil servant remains the butt of stage ridicule, his props the bowler hat, his striped suit and buff

folder bound in red tape. At a slightly more elevated level, he is the victim of the "shuddering blanchance" theory (the phrase is Mr Anderson Waugh's) which sees Whitehall as smothering freedom and enterprise, in the manner of Mr Waugh's confection, through regulation and taxation. On the most sophisticated plane, critics like the Institute of Economic Affairs assign the public servant the role of midwife and handmaiden to the corporate state. In the present climate, all three caricatures stick.

The Civil Service needs somebody to speak in its defence. It is no good officials expecting their ministers to protect them. Many ministers share the popular prejudices against their servants, often superimposing a self-serving one of their own which imagines civil servants as engaged in a kind of continuous coup d'état against the manifesto pledges of elected governments. This view is the one formerly put with great vehemence by the late Mr Richard Crossman and much favoured these days by Mr Wedgwood Benn. Furthermore, if there is one breed held in even greater disregard by the public than the bureaucrat nowadays it is the politician.

Sir Ian must therefore overcome his longstanding dislike of personal publicity and do the job himself. If he does not publicly protect his people as often as he can, nobody will. He must transform himself from being one of the finest establishment officers Whitehall has ever known into a statesman of the public service. His predecessor of many years ago, Sir Warren

Fisher should be the model. Fisher fought tenaciously to raise the esteem in which his profession was held, believing it should be seen as the "Fourth Service", alongside the three Armed Forces.

Judged by this criterion, Sir Ian has made a poor start. His first act as Head of the Civil Service-elect was to refuse to talk to the newspapers. One of the unassumed virtues of Sir Douglas Allen, whose he is to succeed on January 1, was the example he set to the rest of Whitehall in being accessible to the press and in standing up, when necessary, to ministers who so often are the repressors on these occasions. The value of last summer's pledge of a greater degree of openness in government will depend a great deal on Sir Ian overcoming his misplaced fastidiousness about publicity. He should remember the advice given by Stanley Baldwin to aspiring politicians: "Cancel your subscription to the curtains agency and grow a new skin."

Sir Ian has a marvellous chance over the next five years to reform Whitehall from within and to leave the country with a better Civil Service than ever before. The CSD is already reviewing methods of recruitment and training. New ventures have been created, losing less. Sir Ian's profession is vital to the country's fortunes. It is a sheet anchor of the constitution and a great bulwark against change of the worst kind. It is currently undervalued on all sides. Sir Ian's first task should be to raise its self-esteem and the regard in which it is held by others. Above all, he must speak for Whitehall.

## JUST AS IMPORTANT AS A STUBBS

After the sale of another batch of books last week, the disposal of John Evelyn's library has already raised more than £250,000 although the auctioneers have not yet set further through the alphabet than the letter G. The loss of the first great library to be established in this country on a systematic principle is a grave one. It had been available for study in Christ Church Library, Oxford, for many years. Many of the books are in the bindings Evelyn commissioned or contain his manuscript notes. Even after the sales and accretions of 300 years, it was an irreplaceable treasure to the range of interests of the greatest connoisseur of his day, closely concerned with the restoration of Charles II, art, science, education, dendrology, pollution, ploughing technology and the manufacture of paper. Another great collection has gone the same way: the Evelyn collection of books from the 17th century, which fetched £455,000 in June.

Such events create mixed feelings among scholars and collectors. The characteristic mingling of melancholy and glee can be heard in Evelyn's comment on one of the books sold last week, which he acquired at the "rude dispersion of Cardinal Mazarin's library". If no collections of antiquities were ever broken up, new ones

could never be made. But some collections are so valuable, either as part of a national heritage or as convenient assemblies of papers on a particular topic, that they should never be allowed to be scattered. Evelyn's books deserved saving on both counts, the Sion College ones on the first if not the second. In spite of the efforts which the British Library may be presumed to have made in the saleroom (at no small expense to the taxpayer), many of the finest items in both collections will certainly leave the country for ever.

The former owners of the books share the general regret, but insist that they were faced by necessity. The Evelyn trustees were constrained by an unforeseen accident of inheritance and by capital gains tax to sell off the entire private library (the manuscripts, including the famous diary, are to be left at Christ Church only "as long as possible"), and against the auctioneers' advice, Sion College needed to raise money for its extension and after an appeal to the City failed to raise enough, in spite of a generous response, it turned to its library.

It is not fully clear that the owners exhausted every possible alternative in either case. Sion College gave too little advance notice of what it had in mind, and the Evelyn trustees seem to

have rejected an offer by Christ Church to maintain the library as a museum, which would still have felt obliged to bear the cost of insurance (if the law requires a treasure to be broken up by creating an obligation to insure the irreplaceable, the law is an ass indeed). Would-be rescuers had to compete with many similar outcries this year, and a library is less spectacular than a Montmorency and less appealing than a George Stubbs.

There is every prospect of many more outcries to come. The main culprits are not the owners but the public policies which in most cases compel them to act as they do. Public policy is not to blame in the immediate way, at least for the growth of the arts investment market which has so greatly increased the temptations and complexities of ownership. Capital gains tax and capital transfer tax are another matter. But policy is plainly failing to take account of the realities if as many precious things are lost or nearly lost in one year as we have seen in 1977. It is time for the clearest possible reappraisal of the whole impact of taxation in this field, of the arrangements for accepting treasures in lieu of tax, and of the resources available to the state to buy paintings, libraries and houses when all other efforts to save them have failed.

The long suffering citizens of Northern Ireland deserve a better and more convincing answer than that. The main culprits are not the owners but the public policies which in most cases compel them to act as they do. Public policy is not to blame in the immediate way, at least for the growth of the arts investment market which has so greatly increased the temptations and complexities of ownership. Capital gains tax and capital transfer tax are another matter. But policy is plainly failing to take account of the realities if as many precious things are lost or nearly lost in one year as we have seen in 1977. It is time for the clearest possible reappraisal of the whole impact of taxation in this field, of the arrangements for accepting treasures in lieu of tax, and of the resources available to the state to buy paintings, libraries and houses when all other efforts to save them have failed.

## David Wood

## Commons sets a limit on rival powers

One event after another last week spread a little more despair throughout the EEC that United Kingdom strategy is to belong to the Community the better to stop its development. Before leaving Brussels for Yugoslavia, Mrs Thatcher succeeded in convincing British reporters that a Conservative government would be a nationalist as Mr Callaghan's Government, and no marked change of axis or style should be expected. At home Mr David Owen, a devout European, had the wretched task of announcing to the Commons that the Government meant to surrender to anti-market pressure and table an amendment to the European Assembly elections Bill blocking any increase in the Assembly's democratic powers; and Mr Ron Hayward, general secretary of the Labour Party, superfluously repeated his advice that Mr Callaghan should put the United Kingdom's domestic election before any European election, for all the world as though he does not know other members of the Nine have their own elections to keep.

This week's events will be no more inspiring. Mr Callaghan and Dr Owen will be in Brussels for a summit meeting, facing a curt demand that if the United Kingdom cannot meet the deadline of May-June next year for European direct elections, then let it propose a revised date it could stick to. That will be Mr Callaghan's cue to explain that a truly democratic government may propose but Westminster will dispose; and he will no doubt add that for all his best efforts, these high questions cannot be rushed to a settlement with any certainty on a date.

to the ruling anti-European sentiment.

Why "assembly"? Article 142 of the EEC Treaty gave the nominated European Chamber power to adopt its own rules of procedure. It is possible to claim too much for powers of national parliaments, so it is possible to claim too little for the European Parliament. Westminster's own history lies open for our inspection. Parliaments of the past, like assemblies, inevitably grew in sway once democracy takes over; and there will be no way of stopping the growth of the European Parliament's powers after direct elections, by the instance of anti-market men at Westminster that a specific Bill amending the Rome Treaty or the accession treaty must be passed in the United Kingdom Parliament.

Consider some of the factors. First, the directly elected European MPs will have half a million voters or thereabouts they are answerable to, although not even the Conservative Party, which is most advanced in its headlong rush to power, yet knows how that answerability will be contrived. Second, the European MPs, like Westminster MPs, will have been elected on a party manifesto.

Third, the European MPs will be in office for a fixed five-year term that will remove some national preoccupations from their thinking. Fourth, already within the European Parliament one sees the growth of constitutional conventions, which is to say without any changes in treaties an understanding develops that relationships between the Council of Ministers and the Commission should flexibly move in a given direction. Fifth, there are human factors that are never important in parliamentary growth. They help to explain the organic development of all democratic parliaments, as the European Parliament itself has illustrated, particularly since Peter Kirk led the first United Kingdom delegation to Strasbourg in 1973, and since Roy Jenkins, as Commission President, said last January that he and his colleagues of commissioners would treat the nominated Parliament as though it were already directly elected. In human nature, particularly since Peter Kirk led the first United Kingdom delegation to Strasbourg in 1973, and since Roy Jenkins, as Commission President, said last January that he and his colleagues of commissioners would treat the nominated Parliament as though it were already directly elected. In human nature, particularly since Peter Kirk led the first United Kingdom delegation to Strasbourg in 1973, and since Roy Jenkins, as Commission President, said last January that he and his colleagues of commissioners would treat the nominated Parliament as though it were already directly elected.

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## Interim devolution for Ulster

From Sir Patrick Macrory  
Sir, As the man who, it seems, has unofficially given his name to "the Macrory gap", mentioned in your leading article of November 21, may I briefly but warmly endorse the views expressed by Dr David Morrison (December 1).

I hope that no one will think for a moment that my colleagues and I on the Northern Ireland Local Government Review Body deliberately set out to create this now notorious "gap". What we recommended was the transfer of responsibility for the major local government services from one set of elected bodies, the county and county borough councils, to another elected body, the Parliament and Government of Northern Ireland—Stormont. If we could have foreseen in 1970 that no sooner had the councils been dissolved than Stormont would disappear, I am sure that our recommendations would have been very different.

Dr Morrison asks for the establishment without delay of an elected regional authority to assume responsibility for such major local government services as health and education. So do I. So, for a long time now, has that sensible and responsible body, the New Ulster Government, or if more rightly informed, do Mr Moynihan, the leader of the Ulster Unionists at Westminster; Mr Harry West, the leader of the Ulster Party in Ulster; and Mr James Haughey, the Conservative Party's spokesman on Northern Ireland affairs. So, I am sure, do the great majority of Ulster citizens, who are paying substantial rates towards the cost of services over which they now have no local democratic control whatever and who, in this regard, are therefore effectively subject to taxation without representation, which we learnt on November 24, was a Evident. The long suffering citizens of Northern Ireland deserve a better and more convincing answer than that. The main culprits are not the owners but the public policies which in most cases compel them to act as they do. Public policy is not to blame in the immediate way, at least for the growth of the arts investment market which has so greatly increased the temptations and complexities of ownership. Capital gains tax and capital transfer tax are another matter. But policy is plainly failing to take account of the realities if as many precious things are lost or nearly lost in one year as we have seen in 1977. It is time for the clearest possible reappraisal of the whole impact of taxation in this field, of the arrangements for accepting treasures in lieu of tax, and of the resources available to the state to buy paintings, libraries and houses when all other efforts to save them have failed.

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The provision of energy supplies for the future is a problem that has no easy solution; but it is not one that can be solved without first being made urgent. Many alternatives have been proposed, but no obvious answers have emerged. One of the most serious difficulties is that the use of nuclear fuel, which is the preferable option from energy considerations, is being regarded as too expensive, in many regard as insupportable. A possible way out is proposed in the U.S. report, "Is it a *Nuclear*?", in which the author, John D. Clark, of the Argonne National Laboratory, Argonne, Illinois University, points out the way of using nuclear reactors that may lessen their impact on the environment.

Present-day reactors have been in operation for many years; so why are there objections being raised about their future use in the form of fast reactors are thermal reactors, which burn an isotope of uranium called U-235 - and there is very little of it. The fast reactors use the form of the isotope U-238, which cannot be used as fuel in a reactor. Only one part in 140 of a uranium is U-235, and the rest is U-238, and is considered as the only source of fuel then nuclear energy is a non-starter. There is energy reserve of the converted isotope, which can be converted into oil.

Although U-238 cannot be used directly it can be converted into U-235. If the reactors can be run with plutonium, and that option increases the energy reserves of uranium by a factor of 100, then there is no objection to the fast reactor solution. It is necessary to

use fast neutrons to convert the U-238 to plutonium in a "fast breeder" reactor, which involves a complex technology with many safety problems. It is necessary to separate the plutonium from spent fuel elements, a process that is extremely dangerous, and plutonium poses a further threat because it could be diverted by terrorist organizations and made into nuclear weapons.

Plutonium does not exist naturally and many of the objections to a nuclear energy program are based on the difficulty of producing it. But there is an alternative fuel. Uranium-233 can also be used in a thermal reactor as a nuclear fuel. This isotope of uranium is not found in nature and is produced from thorium; there are immense reserves of thorium in the world.

It is this alternative preferable to the use of plutonium? Thorium can be converted to U-233 by slow neutrons and so a reactor can be started with only a small amount of U-233. If a thermal reactor burning U-233 is surrounded by a blanket of thorium the blanket will produce more U-233 than the reactor will breed its own fuel. Thermal reactors are established devices, as opposed to fast reactors, and it is well known what can be achieved with them. In particular the best of them have a well-established breeding ratio. One of the Canadian CANDU reactors would be able to breed 92 per cent of the fuel it consumes.

Dr Davies points out that if a fast breeder reactor can be made to work it can be used to supply the

that additional 5 per cent of fuel then may be a viable alternative to fast-breeding reactors and plutonium. And he proposes a safer and cheaper method of producing the extra fuel, without the use of reactors.

A source of neutrons is required. In the past, reactors have been used for research work but fast-breeding reactors and breeder those reactors are being replaced with high-energy particle accelerators, which can produce larger quantities of neutrons.

Such accelerators have an impressive record of exceeding their design specifications while maintaining a small extension of time scales and budgets. To consider using accelerators as a source of neutrons for breeding nuclear fuel involves a small extension of existing successful techniques. If that were done, the thorium-uranium cycle in thermal reactors would be a small extension of existing plutonium economy. Nuclear energy without its drawbacks may become a possibility.

A present task is just a suggestion of what *extra* created work needs to be done before it can be considered as a viable alternative. It certainly has to be investigated further.

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Reginald Kynoch, their annual St. Barbara's dinner in Strling Castle on Saturday. Major J. M. Steele presided and the chief guests were Lord Northcliffe, Major-General R. M. Barrett and Major-General R. M. Somerville.

## Family farm

Lord Northcliffe made an important commitment at the first public meeting of his committee about the ownership of farmland. "We are not going to be a long-winded committee," he said.

The meeting, held on Friday, marked the belated start of an informed and coherent debate about the most controversial issue of the 1930s—land reform, financial institutions. Nearly a hundred farmers attended, but the indications were the farming press were mutually abashed.

The first meeting was held in a school hall at Chelmsford, Essex, a county in which the financial institutions have made some of their heaviest inroads. The farming press has called their intervention the "land grab" and Lord Northcliffe was once again accused that the press was dangerous and unfair to many farmers.

A suggestion from the floor that farmers were being too heavily aroused a murmur of "hear, hear," while the claim that farms owned by financial institutions gave their workers better

comedian, left £151,199.

Other estates include (net, before tax paid; tax not disclosed):

Kielbaso, Mr Ernest Greaves, of Weymouth, £86,000; and Mad. Sir John Barker, of London, £67,298.

Baird, Dr Thomas Richard, of

## Members put the

pay and a more promising career structure was hissed angrily.

Lord Northfield said that the institutions, which include pension funds, insurance companies and investment trusts, probably owned between 300,000 and 500,000 of the 40 million acer of farmland in the United Kingdom, which they owned "in the name of how much they own", he said. "There is no land register that gives us an accurate figure."

It was much more definite about the figure of 15 million, which he quoted to the discomfiture of some of the audience as the number of acres of farmland acquired a tiny indirect stake in farmland by joining pension schemes.

"Why do you keep calling the institutions 'they'?", he asked repeatedly as farmers spoke of the tax concessions enjoyed by institutions as if they were joint owners of the land. "The Treasury to a pack of jackals."

"They are just land speculators", one farmer said. "They may call themselves 'pension funds'. Another said: 'We can-

"I don't think I'm an idiot because my father was a farmer," he said. "I can pay that," Mr. Wams said. Lord Northfield pounced on the social question and established that the institutions' freedom from such taxes would be the only cause of farmers' disaster.

The social view was expressed most succinctly by Mr. John MacLac, chairman of the Forestry Commission, who had been farming for more than fifty years.

Mr. MacLac, a junior minister at the Ministry of Agriculture, Fisheries and Food in the mid-1950s, said: "In the early 1950s," he used the proceeds of increased rents from their tenant farmers for investment and improvement in the land.

He was worried about a growing

danger. Big rents are the life of agriculture, with nothing left over.

Lord Northfield said his 15 million small livestock farms were the backbone of the food industry. At the point of doubling tax, he said that usually women themselves (instead of men) value the status of tenant farmers as part of the health of the countryside.

"The figures we have there is very little evidence to claim that the institutions are doing anything for themselves," he said. "I am afraid they have no hands to have in hand is so limited. It may mean the loss of some of the best of the land."

**Mr Benn** for Michael Harrison, Labour's policy-makers yesterday by the Energy Secretary, Lord Cullen, that he will open a Pandora's box of problems if they decide to open an inquiry into the failure of the coal industry and organization. "The coal trade unions are not for an inquiry, but for a new organization," he said.